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BEFORE THE
CALIFORNIA INTEGRATED WASTE MANAGEMENT BOARD MARKET
DEVELOPMENT COMMITTEE

IN THE MATTER OF THE:)
)
MARKET DEVELOPMENT)
 COMMITTEE MEETING)
_____)

DATE AND TIME: THURSDAY, AUGUST 7, 1997
 9:30 A.M.

PLACE: BOARD HEARING ROOM
 8800 CAL CENTER DRIVE
 SACRAMENTO, CALIFORNIA

REPORTER: BETH C. DRAIN, RPR, CSR
 CERTIFICATE NO. 7152

BRS FILE NO.: 41082

APPEARANCES MR. PAUL RELIS,
CHAIRMAN MR. WESLEY CHESBRO, MEMBER
MR. DANIEL G. PENNINGTON, MEMBER

STAFF PRESENT

MR. RALPH CHANDLER, CHIEF EXECUTIVE OFFICER
MS. DEBORAH BORZELLERI, LEGAL COUNSEL

MS. DONNELL DUCLO, COMMITTEE SECRETARY

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I N D E X

	PAGE_NO.

CALL TO ORDER	5
ITEM 1: REPORT FROM THE DEPUTY DIRECTOR	5
ITEM 2: PRESENTATION OF QUARTERLY PROGRESS REPORT ON THE RECYCLING MARKET DEVELOPMENT ZONE PROGRAM'S MARKETING STRATEGY FOR 1996-1997.	
STAFF PRESENTATION	12
PUBLIC TESTIMONY	
DISCUSSION	17
ACTION	
ITEM 3: ORAL PRESENTATION ON LOCAL GOVERNMENT ACTIVITIES IN RECYCLING MARKET DEVELOPMENT ZONES.	
STAFF PRESENTATION	19, 31
PUBLIC TESTIMONY	
DISCUSSION	27
ACTION	
ITEM 4: CONSIDERATION OF CONTRACT CONCEPTS FOR MARKETING THE RECYCLING MARKET DEVELOPMENT ZONES FOR FY '97-'98.	
STAFF PRESENTATION	42
PUBLIC TESTIMONY	47
DISCUSSION	50
ACTION	52
ITEM 5: CONSIDERATION OF METHODS TO INCREASE LOANS PROCESSED.	
STAFF PRESENTATION	53
PUBLIC TESTIMONY	
DISCUSSION	55
ACTION	61

ITEM 6: CONSIDERATION OF A REVISED RECYCLING MARKET
DEVELOPMENT REVOLVING LOAN PROGRAM PRIORITY RATING
SYSTEM.

STAFF PRESENTATION	62
PUBLIC TESTIMONY	
DISCUSSION	64
ACTION	66

ITEM 7: CONSIDERATION OF THE METHODOLOGY AND
CALCULATION OF THE PRELIMINARY 1996 AND REVISED 1995
CALIFORNIA POSTCONSUMER PAPER UTILIZATION RATE.

STAFF PRESENTATION	66
PUBLIC TESTIMONY	
DISCUSSION	70
ACTION	88

ITEM 8: OPEN DISCUSSION NONE

ITEM 9: ADJOURNMENT 90

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1 SACRAMENTO, CALIFORNIA; AUGUST 7, 1997

2 9:30 A.M.

3

4 CHAIRMAN RELIS: OKAY. GOOD MORNING.

5 WE'LL CALL TO ORDER THE MEETING OF THE MARKET

6 DEVELOPMENT COMMITTEE. DONNELL, WOULD YOU

PLEASE

7 CALL THE ROLL.

8 THE SECRETARY: MEMBER PENNINGTON.

9 MEMBER PENNINGTON: HERE.

10 THE SECRETARY: MEMBER CHESBRO, ABSENT.

11 CHAIRMAN RELIS.

12 CHAIRMAN RELIS: HERE.

13 ANY EX PARTE COMMUNICATIONS?

14 MEMBER PENNINGTON: NO, I DON'T BELIEVE

15 SO.

16 CHAIRMAN RELIS: I'M CURRENT AS WELL.

SO

17 WITH THAT, WE WILL MOVE INTO THE AGENDA.

18 I'LL NOTE AT THE OUTSET THAT

ANYONE

19 WHO WISHES TO SPEAK ON AN ITEM BEFORE THE

20 COMMITTEE PLEASE FILL OUT THE FORM AT THE BACK

OF

21 THE ROOM AND BRING IT FORWARD TO MS. DUCLO HERE

IN

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22 FRONT.

23 I'LL NOW TURN IT OVER TO CAREN

24 TRGOVCICH OF OUR STAFF TO GIVE THE MARKET

REPORT.

25 MS. TRGOVCICH: GOOD MORNING, CHAIRMAN

1 RELIS AND MEMBERS. I'M CAREN TRGOVCICH, DEPUTY
2 DIRECTOR OF THE WASTE PREVENTION AND MARKET
3 DEVELOPMENT DIVISION. I HAVE A FEW SHORT ITEMS
4 FOR YOU THIS MORNING BEFORE WE GET INTO TODAY'S
5 AGENDA.

6 I JUST WANTED TO UPDATE YOU ON THE
7 STATUS OF THE \$15,000 GRANT FROM U.S. EPA AROUND
8 THE BOARD'S COMPOST AGRICULTURAL DEMO PROJECTS.
9 AS YOU WILL REMEMBER, EPA WAS SO VERY IMPRESSED
10 WITH THE WORK THAT WE'D DONE, THE PUBLICATION OF
11 THE FINAL REPORTS AND THE OUTCOME, AND THE OUTCOME
12 BEING THAT AT WORST-CASE THE APPLICATION OF
13 COMPOST IS NOT DETRIMENTAL TO AGRICULTURE AND, IN
14 FACT, WE'RE SEEING SOME VERY POSITIVE HEALTHY
15 BENEFITS THERE, THEY HAVE AGREED TO GRANT US AND
16 HAVE NOW APPROVED OUR FINAL WORK PLAN AROUND THE
17 \$15,000 GRANT WHICH WILL BE USED TO PUBLICIZE THE
18 RESULTS COMING OUT OF THOSE DEMO PROJECTS.

19 SO WE ARE NOW GAINING FEDERAL
20 ASSISTANCE IN BEING ABLE TO GET THE WORD OUT,
AND

21 THAT'S GOING TO PLAY WELL INTO THE WORK THAT
YOUR

22 OFFICE, MEMBER RELIS, IS DOING WITH THE RCD'S
23 AROUND THE STATE, AS WELL AS THE WORK THAT THE
24 STAFF IS DOING IN TRYING TO BE ABLE TO

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PUBLICIZE

25 AND PROMOTE AGRICULTURAL USE OF COMPOST. SO
THIS

1 IS A NEXT VERY POSITIVE STEP.

2 CHAIRMAN RELIS: MAYBE, JUST SINCE SO
3 MANY ACRONYMS FLOAT AROUND THIS AGENCY AND MANY
4 OTHERS, WHAT'S RCD?

5 MS. TRGOVCICH: RESOURCE CONSERVATION
6 DISTRICT.

7 CHAIRMAN RELIS: THAT'S PART OF THE --
8 WELL, IT'S THE WHOLE AGRICULTURAL NETWORK.

9 MS. TRGOVCICH: CORRECT. AND TO THE
10 AVAILABILITY OF FUNDS AT THE FEDERAL LEVEL, TO BE
11 ABLE TO BE MADE AVAILABLE TO AGRICULTURAL
12 OPERATIONS TO PROMOTE EROSION CONTROL ACTIVITIES,
13 WATER QUALITY IMPROVEMENT ACTIVITIES, ETC. WE'RE
14 SEEING THE APPLICATION OF COMPOST AND MULCH
15 THROUGH THOSE DISTRICTS AS BEING ONE VIABLE
16 ALTERNATIVE AND POSSIBLY AVAILABLE AS AN
17 INCENTIVIZED ACTIVITY UNDER THAT PROGRAM.

18 CHAIRMAN RELIS: I MIGHT JUST NOTE IN
19 THAT REGARD THAT THIS WEEK OUR OFFICE RECEIVED
20 WORD THAT THE FIRST RCD APPLICATION TO USE -- TO
21 MAKE COMPOST AN ELIGIBLE ACTIVITY FROM URBAN-
22 DERIVED WASTE FOR FEDERAL MONEY WAS SELECTED, I
23 BELIEVE, A WEEK AGO OR WEEK AND A HALF AGO IN
24 DAVIS. I THINK THE RCD GROUP MEETS ANNUALLY AND
25 SELECTS PROJECTS. SO THIS RANKED NO. 1 IN THE

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1 STATE. COMPOST IS A PORTION OF THAT.

2 MS. TRGOVCICH: KIND OF ON THAT SAME
3 NOTE, MAYBE JUST TO UPDATE YOU, AS YOU REMEMBER,
4 CALTRANS RECENTLY SPECIFIED THE USE OF COMPOST IN
5 THE APPLICATIONS OF EROSION CONTROL IN VARIOUS
6 PROJECTS AROUND THE STATE. AND THEY TURNED TO US
7 AND WE THEN MAILED TO A HUNDRED FIFTY CONTRACTORS
8 STATEWIDE WHO MAY BE ELIGIBLE FOR THE NEW STATE
9 HIGHWAY CONSTRUCTION PROJECTS, NOTIFYING THEM OF
10 THE ABILITY TO THEN USE COMPOST IN THESE SPECIFIED
11 PROJECTS.

12 AND ONE OF THE THINGS WE'LL BE DOING
13 AS WELL IS WORKING WITH THE ACTUAL COMPOST
14 PRODUCERS SO THAT WE CAN ENSURE THAT THERE'S
15 SUFFICIENT SUPPLY TO MEET THIS RUN AND RUSH ON
16 COMPOST IN THE STATE TO MEET THESE STATE HIGHWAY
17 NEEDS. SO WE'RE MOVING DOWN THAT PATH AS WELL.

18 WITHIN THE AREA OF THE ZONE LOAN
19 PROGRAM, MY MONTHLY UPDATE IN THIS AREA, WE HAVE
20 CLOSED 54 LOANS IN THE AMOUNT OF \$21.5 MILLION.
21 WE CURRENTLY HAVE SEVEN ACTIVE LOANS TOTALING \$4.2
22 MILLION WHICH HAVE BEEN APPROVED BY THE BOARD BUT
23 HAVE NOT YET CLOSED FOR A VARIETY OF REASONS.
24 SOME OF THOSE APPLICANTS ARE REQUESTING
25 MODIFICATIONS TO OUR LOAN DOCUMENTS, WHICH WE ARE

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1 CURRENTLY WORKING WITH LEGAL ON. OTHER APPLICANTS
2 ARE IN THE PROCESS OF COMPLETING CERTAIN SPECIFIED
3 ACTIVITIES THAT WERE REQUIRED PRIOR TO CLOSING.

4 SO WE'RE MOVING THROUGH THE PROCESS
5 ON THAT 4.2 MILLION. WE'VE RECEIVED AN ADDITIONAL
6 LOAN REQUEST OR ADDITIONAL LOAN REQUESTS FROM NINE
7 COMPANIES TOTALING \$4.9 MILLION. AND YOU WILL BE
8 SEEING THOSE COMING FORWARD. WE HAVE A LOAN
9 COMMITTEE MEETING WHICH IS TENTATIVELY SCHEDULED
10 EITHER FOR THE -- IT WAS -- I HEARD TWO DATES,
11 AUGUST 24TH AND THEN SEPTEMBER 4TH OR 9TH.

12 UNIDENTIFIED SPEAKER: WE'RE STILL
13 NEGOTIATING.

14 MS. TRGOVCICH: WE'RE STILL NEGOTIATING
15 WITH THE LOAN COMMITTEE MEMBERS IN TERMS OF BEING
16 ABLE TO ACHIEVE A QUORUM, BUT OUR NEXT SCHEDULED
17 LOAN COMMITTEE MEETING WILL BE IN THE NEXT THREE
18 TO FOUR WEEKS IN ORDER TO BRING THOSE LOANS
19 FORWARD TO THE SEPTEMBER MARKET DEVELOPMENT
20 COMMITTEE.

21 WHEN FISCAL YEAR 7-8 FUNDS ARE
22 ACTUALLY TRANSFERRED, DUE ONCE SIGNATURE TO THE
23 BUDGET ACT OCCURS, THE LOAN FUND WILL HAVE
24 APPROXIMATELY \$20 MILLION AVAILABLE FOR LENDING
25 FOR THE REMAINDER OF THE FISCAL YEAR. BUT,

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1 REMEMBER, 4.2 MILLION OF THAT IS ALREADY COMMITTED
2 AND THERE IS AN ADDITIONAL 4.9 MILLION THAT WILL
3 BE COMING FORWARD FOR APPROVAL.

4 CHAIRMAN RELIS: DON'T WE HAVE, DEPENDING
5 ON -- THERE'S THE 500,000 --

6 MS. TRGOVCICH: FOR THE CALCAP AGREEMENT,
7 CORRECT. AND WE ARE CURRENTLY IN THE PROCESS OF
8 BEGINNING NEGOTIATIONS WITH THEM AROUND THE
9 LANGUAGE THAT YOU APPROVED AT YOUR MEETING LAST
10 MONTH.

11 AND JUST AN UPDATE VERY BRIEFLY ON
12 OUR MARKETING EFFORTS, BECAUSE YOU ARE GOING TO BE
13 HEARING A REPORT THIS MORNING ON THE UPDATE OF OUR
14 MARKETING STRATEGY, IS WE HAVE OVER THE LAST THREE
15 MONTHS COMPLETED CLOSE TO 1,000 MARKETING CALLS TO
16 BUSINESSES LOCATED IN VARIOUS ZONES AROUND THE
17 STATE BASED UPON AGREEMENTS THAT WE HAVE REACHED
18 WITH THOSE ZONES.

19 THOSE CALLS HAVE RESULTED IN ABOUT
20 175 REFERRALS FOR FINANCIAL ASSISTANCE. SO WE ARE
21 SEEING RESULTS FROM THAT APPROACH. AND WE'RE
22 SEEING RESULTS ESPECIALLY IN THE SOUTHERN
23 CALIFORNIA AND LOS ANGELES COUNTY ZONE AREA, WHICH
24 YOU WILL SEE HIGHLIGHTED FOR YOU LATER THIS DAY.
25 FINALLY, I'D JUST LIKE TO NOTE SOME

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1 PERSONNEL CHANGES SINCE WE'RE A SMALL, COZY GROUP
2 HERE. AND I WANT TO TAKE AN OPPORTUNITY TO
3 ANNOUNCE A CHANGE THAT WE'VE RECENTLY MADE IN THE
4 PROGRAM. EFFECTIVE AUGUST 1ST, JOHN BLUE, WHO WAS
5 THE SECTION HEAD FOR THE ZONE SECTION, HAS MOVED
6 OR SWITCHED PLACES, IF YOU WILL, WITH MINDY FOX IN
7 THE BUY RECYCLED SECTION.

8 SO YOU ARE GOING TO SEE BOTH MINDY
9 AND JOHN HERE BEFORE YOU TODAY, AND THE MONTH OF
10 AUGUST SERVES AS A TRANSITION PERIOD FOR US. SO
11 IN FUTURE MONTHS, JOHN WILL HAVE THE PLEASURE OF
12 COMING BEFORE YOU ON SUCH WONDERFUL ITEMS AS TRASH
13 BAGS, AND YOU WILL SEE MINDY BEFORE YOU ON ZONE
14 PROGRAM ACTIVITIES. AND WE HAVE --

15 MEMBER PENNINGTON: WHO GOT THE BETTER
16 DEAL HERE?

17 MS. TRGOVCICH: I DON'T KNOW. WE ALSO
18 HAVE A NEW LOAN OFFICER AS WELL, AND THIS IS
19 EXCEPTIONAL FOR US BECAUSE, AS YOU WELL KNOW,
20 WE'VE BEEN VERY UNDERSTAFFED FOR ABOUT THE PAST
21 SIX TO EIGHT MONTHS. WE HAVE JEFF WHITE HAS
22 JOINED US. HE HAS BOTH BANKING AND ACCOUNTING
23 EXPERIENCE, AND WE'RE IN THE PROCESS OF FILLING
24 OUR SECOND VACANCY AS WELL. AND I BELIEVE
JEFF IS

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25 HERE TODAY. SO WE WELCOME HIM AS WELL, AND
WITH

1 THAT, WE CAN MOVE INTO OUR REGULAR AGENDA.

2 CHAIRMAN RELIS: ANY COMMENTS? OKAY.

3 LET'S GO INTO THE AGENDA, AND I BELIEVE WE'RE
4 BEGINNING WITH ITEM 2.

5 MS. TRGOVCICH: ITEM NO. 2 IS
6 PRESENTATION OF THE QUARTERLY PROGRESS REPORT ON
7 THE RECYCLING MARKET DEVELOPMENT ZONE PROGRAM'S
8 MARKET STRATEGY FOR 1996 AND 1997. JOHN BLUE IS
9 GOING TO BE PROVIDING THIS OVERVIEW FOR YOU.

AND

10 THIS OVERVIEW IS TIED DIRECTLY, ONCE AGAIN, TO
THE
11 MARKET STRATEGY THAT THE BOARD LAST APPROVED.

12 AND WITH THAT, I'LL TURN IT OVER
TO

13 JOHN.

14 MR. BLUE: GOOD MORNING, MEMBER
15 PENNINGTON AND CHAIRMAN RELIS. IT'S MY SWAN
SONG

16 PRESENTATION TODAY. I MUST SAY, THOUGH, I WAS
AT

17 THE HEARING ON THE TRASH BAG VARIANCE, AND MY
18 HEART SANK WHEN MEMBER RELIS WAS DISCUSSING
MAYBE

19 HOLDING OVER FOR NEXT MONTH.

20 MEMBER PENNINGTON: SO DID MINE.

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21 MR. BLUE: SO ANYHOW, I APPRECIATE
LEGAL

22 COUNSEL'S GUIDANCE AT THAT POINT.

23 CHAIRMAN RELIS: GOOD LUCK WITH THAT
ONE,

24 JOHN.

25 MR. BLUE: ANYHOW, MY NAME IS JOHN BLUE

1 AND I'M -- SINCE I'M NOT WITH THE ZONE PROGRAM,
2 I'LL SAY WASTE PREVENTION AND MARKET DEVELOPMENT
3 DIVISION. I'M HERE TO PRESENT ITEM NO. 2, THE
4 PRESENTATION OF QUARTERLY PROGRESS REPORT ON THE
5 RECYCLING MARKET DEVELOPMENT ZONE PROGRAM'S
6 MARKETING STRATEGY.

7 NOW, THIS ITEM RELATES TO AND RATHER
8 FLOWS RIGHT INTO ITEM NO. 3, WHICH IS OUR ORAL
9 REPORT ON ZONE ACTIVITIES. SO SOME OF THE
10 QUESTIONS YOU MIGHT HAVE ARISING OUT OF THIS MAY
11 BE ANSWERED IN THE NEXT ITEM.

12 THIS IS -- REPRESENTS THE FULL YEAR
13 SINCE WE BEGAN IMPLEMENTING THE PROGRAM. AND FOR
14 THAT REASON, WE'VE DECIDED TO INCLUDE THE YEAR IN
15 RETROSPECT AND A TABLE IN THE PACKET, WHICH I
16 BELIEVE IS ON PAGE 5 OF YOUR PACKET. AND THE MOST
17 RECENT DATA IS INCLUDED IN THE LAST COLUMN, WHICH
18 IN THE ORIGINAL WAS SHADED BUT SOMEHOW IN
19 REPRODUCTION DIDN'T COME OUT THAT WAY.

20 BUT JUST TO QUICKLY SUMMARIZE THIS
21 DATA, AND, AGAIN, IT'S HARD WHEN WE TALK ABOUT
22 LOAN INFORMATION BECAUSE WE ALREADY HAVE SOME OF
23 THE NEW APPLICATIONS IN FOR THIS QUARTER, SO JUST
24 REMEMBER WE'RE LOOKING BACK A QUARTER. IN THE
25 SECOND QUARTER OF '97, WE RECEIVED FIVE

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1 APPLICATIONS FOR 3.3 MILLION, AND THE BOARD
2 APPROVED THREE OF THEM FOR 2.2.

3 WE HAD A SIGNIFICANT NUMBER OF
4 MAILINGS GOING OUT, 1650 DIRECT SOLICITATIONS TO
5 BUSINESSES IN SONOMA/MENDOCINO LAKE RMDZ, THE L.A.
6 COUNTY AND THE CITY OF LONG BEACH. STAFF MADE
7 FOLLOW-UP CALLS TO 660 BUSINESSES AND PROVIDED
8 SOME LEVEL OF ASSISTANCE TO ALMOST 500 BUSINESSES,
9 479.

10 IN ADDITION, WE REFERRED ANOTHER 42
11 BUSINESSES TO ZONE ADMINISTRATORS AND SEVEN TO
12 OUTSIDE BUSINESS SERVICE PROVIDERS. WE'VE
13 CONTINUED TO PLACE EXTRA EMPHASIS ON PLACING
14 FOLLOW-UP TELEPHONE CALLS TO BUSINESSES. AND THIS
15 IS MUCH THANKS TO THE STUDENTS WHO ARE DEVELOPING
16 CAULIFLOWER EAR FROM ALL THIS WORK. AND MUCH OF
17 THE DRAMATIC INCREASE IN ASSISTANCE PROVIDED WAS A
18 RESULT OF THIS EFFORT.

19 ANOTHER PORTION OF IT IS PROBABLY
20 ATTRIBUTABLE TO THE SURGING ECONOMY IN THIS STATE.
21 THERE'S MORE OPTIMISM IN THE BUSINESS COMMUNITY.
22 PEOPLE ARE INTERESTED IN EXPANDING AND CHANGING
23 THE WAY THEY DO BUSINESS. SO WE'RE GETTING MORE
24 CALLS.

25 TYPE OF ASSISTANCE PROVIDED VARIED

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1 WIDELY. THE MOST COMMON TYPE OF BUSINESSES THAT
2 WE LOG WAS SIMPLY TO PROVIDE MORE INFORMATION,
3 DESCRIBE THE LOAN PROGRAM, SEND MORE INFORMATION
4 ABOUT THE BOARD'S PROGRAMS, OR TO REFER THEM TO A
5 LOAN OFFICER OR ZONE ADMINISTRATOR.

6 I'VE INCLUDED SOME EXAMPLES IN THE
7 PACKET ON PAGE 3 DESCRIBING JUST A SMATTERING OF
8 SOME DIFFERENT TYPES OF ASSISTANCE. WE ALSO HAVE
9 SOME ADDITIONAL EXAMPLES IN THE R-TEAM QUARTERLY
10 REPORT, WHICH I HAVE COPIES IN THE BACK OF THE
11 ROOM IF ANYONE HASN'T SEEN IT.

12 BUT AFTER A YEAR OF IMPLEMENTING THE
13 STRATEGY, I THINK WE CAN MAKE A COUPLE OF
14 OBSERVATIONS ABOUT OUR -- WHAT WE'VE SEEN IN DOING
15 IT. FIRST OF ALL, THE MAILINGS ALONE GENERALLY
16 HAVEN'T BEEN A REAL EFFECTIVE ACTIVITY UNLESS THE
17 BUSINESSES ARE ALREADY FAMILIAR WITH THE BOARD AND
18 WE'VE ALREADY ESTABLISHED SOME TIE AND SOME
19 CREDIBILITY, OR THE LIST IS STRONGLY WEIGHTED
20 TOWARDS RECYCLING ORIENTED BUSINESSES.

21 EXAMPLES OF THIS WOULD BE
MAILINGS

22 TO COMPOSTERS OR CONSTRUCTION DEMOLITION
23 PROCESSORS. THESE HAD RESPONSE RATES QUITE
HIGH,
24 APPROACHING MAYBE 10 PERCENT; WHEREAS, THERE

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ARE
25 MORE GENERALIZED MAILINGS TO MANUFACTURERS
JUST

1 IDENTIFYING THEM VIA SIC CODE SEARCHES THAT
2 RESULTED IN RESPONSE RATES BETWEEN ZERO AND 1
3 PERCENT WITHOUT PHONE CALLS AND UP TO 3 TO 5
4 PERCENT WITH THE PHONE CALLS. THE PHONE CALLS
5 HAVE BEEN REALLY KEY IN DRIVING UP THE RESPONSE
6 RATE AND GETTING SOME ACTIVITY.

7 IN DOING THIS, STAFF HAVE STRUCK A
8 VARIETY OF DEALS WITH ZONE ADMINISTRATORS
9 REGARDING THE MAILING AND OUTREACH EFFORTS. BY
10 FAR THE MOST POPULAR IS FOR STAFF TO REALLY DO
11 PRETTY MUCH EVERYTHING, MAILING THE SOLICITATIONS
12 AND FOLLOWING UP WITH THE LEADS GENERATED. OTHER
13 ARRANGEMENTS HAVE VARIED FROM STAFF MAILING A
14 DIFFERENT LETTER FOR EACH JURISDICTION WITHIN THE
15 ZONE AND THE ZONES DOING THE CALLING OR TO STAFF
16 SENDING OUT A BROCHURE THAT WAS PROVIDED BY THE
17 ZONE AND US DOING ALL THE FOLLOW-UP CALLING.

18 ANOTHER EFFORT THAT'S BEEN QUITE
19 SUCCESSFUL HAS BEEN NETWORKING. AND STAFF ARE
20 CONTINUING TO WORK WITH LENDERS OFTEN ARRANGING
21 WITH THE LOCAL ZONE STAFF TO MEET WITH LOCAL
22 LENDERS IN A GROUP SETTING, IF POSSIBLE, JUST TO
23 KEEP THE RMDZ LOAN PROGRAM ON THE RADAR

SCREEN OF

24 THE LOCAL LENDING COMMUNITY.

25 ANOTHER NETWORKING ACTIVITY

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THAT ' S

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25 IN NETWORKING AT THE LOCAL LEVEL WITH THE

1 FINANCIAL COMMUNITY AND LENDERS, BUSINESSES LIKE
2 TALCO WHERE THEY HAVE A CUSTOMER BASE THAT CAN BE
3 SUPPORTED BY THE PROGRAM, AND ACCOUNTANTS, CPA
4 FIRMS IN THE LOCAL COMMUNITY, THOSE WOULD PROBABLY
5 BE MORE EFFECTIVE FOR STAFF, HIGHER LEVEL STAFF,
6 TO BE PARTICIPATING IN AND, AGAIN, CONTINUING IN
7 THAT VEIN.

8 THE -- YOU KNOW, WITHOUT ENOUGH --
9 WITHOUT THE PEOPLE WE HAVE -- OUR R-TEAM GRANT IS
10 GOING TO RUN OUT EVENTUALLY AND WE MAY NOT HAVE
11 THE STUDENTS TO SUPPORT THE MASS MAILING AND MASS
12 TELEPHONE CALLING. AT THAT POINT IT MIGHT BE
OKAY

13 TO PULL BACK ON THAT.

14 THE -- I'M DRAWING A BLANK. I HAD
15 SOMETHING TO SAY. ANYHOW, I'LL SKIP.

16 CHAIRMAN RELIS: IF YOU HAVE ANY
17 THOUGHTS, OUR OFFICE WOULD BE HAPPY TO HEAR THEM.

18 MR. BLUE: ANOTHER ITEM, AS FAR AS OUR
19 ADVERTISING, ADVERTISING IS EXPENSIVE AND
SOMEWHAT

20 FRUITFUL IN A REALLY DIRECTED AVENUE. IF WE CAN
21 HAGGLE FOR VERY GOOD RATES, I WOULD DO SOME OF
22 THAT. I WOULDN'T PUT A LOT OF EMPHASIS ON THAT.

23 THE POINT I WAS GOING TO MAKE THAT

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24 SLIPPED MY MIND WAS WE'RE SEEING A POINT NOW
25 WHERE, AND I THINK ONE OF OUR CONTRACT CONCEPTS
IS

1 GOING TO ADDRESS THIS, WHERE THERE'S A NEED NOW
TO
2 MAYBE WORK MORE WITH MAYBE SOME OF THE BUSINESSES
3 WE HAVE AND GET THEM READY TO APPROACH -- TO
REACH
4 OUT, HAVE BUSINESSES REACH OUT TO THE FINANCIAL
5 COMMUNITY, INVESTMENT COMMUNITY, AND MAYBE TRAIN
6 SOME OF THE BUSINESSES AND THE ZONE
ADMINISTRATORS
7 MORE TO DO MORE OF THEIR OWN MARKETING OUTREACH.
8 CHAIRMAN RELIS: THANK YOU VERY MUCH.
9 THAT CONCLUDES ITEM 2.
10 AND NOW WE'LL GO INTO CONSIDERATION
11 ITEMS. SO WE'LL GO TO ITEM --
12 MR. BLUE: I'M SORRY. ITEM 3 IS THE
ORAL
13 PRESENTATION.
14 MS. TRGOVCICH: CHAIRMAN RELIS, MAYBE
15 JUST TO SET THE STAGE BEHIND ITEM 3 -- I'M SORRY.
16 I WAS MOMENTARILY CONFUSED AS A CONSIDERATION
17 ITEM. THIS IS AN ORAL PRESENTATION, ITEM 3 IS,
18 AROUND THE LOCAL GOVERNMENT ACTIVITIES WITHIN THE
19 RECYCLING MARKET DEVELOPMENT ZONES. THIS ITEM
WAS
20 PLACED ON THE AGENDA TO PROVIDE YOU WITH

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21 INFORMATION AROUND HOW THE COMMITMENT LEVEL OF
THE
22 ZONES WITHIN THIS PROGRAM, WITHIN THE RMDZ
23 PROGRAM, AND AS A BASIS FOR DIALOGUE FOR YOU, IF
24 YOU SHOULD WISH STAFF TO PURSUE ANY FURTHER
25 INFORMATION DEVELOPMENT, ANY FURTHER ACTIVITIES

1 AROUND THE ESTABLISHMENT OF THE ZONES THEMSELVES,
2 ASSISTANCE TO THE ZONES, ETC.

3 SO STAFF WILL BE PROVIDING YOU WITH
4 AN OVERVIEW OF THE ZONES, THE 40 ZONES THAT HAVE
5 BEEN DESIGNATED, AND WE WILL BE HIGHLIGHTING FOR
6 YOU TWO ZONES, ONE URBAN AND ONE RURAL.

7 CHAIRMAN RELIS: SORRY I JUMPED AHEAD
8 THERE.

9 MR. BLUE: THAT'S ALL RIGHT. SORRY FOR
10 MY DEAD AIR THERE FOR A MINUTE.

11 I'LL NOW BE PRESENTING ITEM NO. 3,
12 THE ORAL PRESENTATION ON LOCAL GOVERNMENT
13 ACTIVITIES IN RECYCLING MARKET DEVELOPMENT ZONES.
14 ASSISTING ME WITH THIS IS OUR STUDENT, BETH
15 PADILLA AT THE SLIDE PROJECTOR, AND MARY FARR AND
16 DASSI PINTAR WILL BE MAKING PORTIONS OF THE
17 PRESENTATION.

18 AND THIS IS -- THIS ITEM IS
INTENDED

19 TO PROVIDE THE COMMITTEE MEMBERS WITH INFORMATION
20 OF THE GENERAL LEVEL OF EFFORT AND PRODUCTION OF
21 THE ZONES AS A WHOLE AND THEN SOME MORE SPECIFIC
22 INFORMATION ON A COUPLE OF THE MORE ACTIVE ZONES.
23 ONE OF THOSE ZONES WE'RE GOING TO HIGHLIGHT IS A
24 RURAL ZONE, CENTRAL COAST ZONE, AND ONE OF THEM

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IS

25 AN URBAN ZONE, L.A. COUNTY RMDZ.

1 AND IN APPROACHING THIS ASSIGNMENT,
2 WE CONTACTED EACH OF THE 40 ZONES AND ASKED THEM
3 TO PROVIDE US INFORMATION ON STAFFING AND
4 ORGANIZATION AND REPORTING STRUCTURE, ANY SPECIAL
5 FUNDING, AND THE BACKGROUND OF THE ZONE
6 ADMINISTRATORS, AND SOME OTHER INFORMATION. THE
7 INFORMATION THEY PROVIDED TO US IS INCLUDED IN
8 SOME HANDOUTS THAT YOU SHOULD HAVE THIS MORNING.

9 STAFF THEN TOOK THIS DATA AND TRIED
10 TO STRETCH IT EVERY WAY AND FIGURE OUT IF WE COULD
11 DRAW ANY TRENDS OUT OF THE DATA. AND IT'S -- YOU
12 KNOW, ONE -- THERE ARE A COUPLE OF CAVEATS IN
13 DOING THIS, AND ONE OF THEM YOU MAY HEAR ME
14 REEMPHASIZE IN A MINUTE IS THAT ALTHOUGH WE WERE
15 ABLE TO SAMPLE THE ENTIRE POPULATION, THE SAMPLE
16 SIZES ARE STILL RATHER SMALL. SO WHEN YOU ARE
17 TRYING TO MAKE STATISTICAL CONCLUSIONS BASED ON
18 THIS DATA, YOU HAVE TO REALIZE THE STANDARD
19 DEVIATIONS ARE RATHER LARGE. SO JUST BEAR THAT IN
20 MIND AS WE LOOK AT THESE DATA.

21 AS A TOOL FOR MEASURING OUTCOME, WE
22 WERE KIND OF LIMITED ON SOMETHING THAT WE HAD A
23 REAL UNIVERSAL APPLICATION OF THE PROGRAM.

SO WE

24 ARE USING THE LOAN INFORMATION TO GIVE SOME

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25 MEASURE OF THE RESULTS. OBVIOUSLY LOAN
ACTIVITY

1 IS NOT THE ONLY MEASURE, BUT IT'S CERTAINLY A
2 MEASURE, AND IT'S CERTAINLY SOMETHING WE HAVE
3 CONTROL OVER AND HAVE GOOD INFORMATION ABOUT. SO
4 I USE THAT SIGNIFICANTLY THROUGH THIS.

5 OTHER CAVEATS ARE THE ZONES ARE NOT
6 ALL DESIGNATED AT THE SAME TIME. SO 11 OF THE
7 ZONES ARE ONLY A COUPLE OF YEARS OLD, AND SOME
8 DEALS OR PROJECTS MAY TAKE LONGER THAN THAT TO
9 BRING TO FRUITION.

10 ANOTHER IMPORTANT THING TO BEAR IN
11 MIND IS THAT REGARDLESS OF STAFFING AND EFFORT,
12 THE LEVEL OF OVERALL ECONOMIC ACTIVITY VARIES
13 WIDELY BETWEEN THE ZONES. AND AS A REFERENCE
14 POINT, A FULL-TIME ZONE ADMINISTRATOR, SAY, IN
15 MODOC COUNTY WOULD NOT PRODUCE NEARLY AS MUCH AS A
16 QUARTER-TIME ADMINISTRATOR IN THE CITY OF L.A.

17 SO BASICALLY WE FIRST LOOKED AT
18 RURAL VERSUS URBAN, AND THERE IS A STRONG
19 DIFFERENCE. I DOUBT THIS WILL BE A SURPRISE TO
20 ANYONE. AND ONE THING REGARDING STAFFING AND
21 NUMBER OF LOAN DOLLARS THAT HAVE GONE INTO THIS
22 ZONE, AND THIS IS WHEN I TALK ABOUT THE LOAN
23 DOLLARS, THIS IS THE TOTAL NUMBER ON AVERAGE,
24 TOTAL NUMBER OF LOAN DOLLARS THAT HAVE COME
FROM

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25 THIS BOARD TO BUSINESSES WITHIN EACH ZONE .

1 IN THE RURAL COMMUNITIES WE SEE
2 ABOUT \$160,000 IN LOANS TO THE ZONE. AND ON
3 AVERAGE THEY'VE GOT ABOUT TWO PEOPLE WORKING AND
4 BOTH OF THEM COMBINED COMMITTING ABOUT HALF OF A
5 PERSON.

6 NEXT SLIDE, PLEASE. THE -- IN THE
7 URBAN ZONES, OBVIOUSLY MUCH MORE ECONOMIC
8 ACTIVITY. WE'VE HAD MANY MORE LOANS. THE AVERAGE
9 HERE IS ALMOST A MILLION DOLLARS IN LOAN DOLLARS
10 FLOWING INTO EACH OF THESE 20 ZONES. AND BUT
11 AGAIN, ON AVERAGE THERE'S ABOUT TWO PEOPLE. AND
12 THE AVERAGE TIME COMMITMENT IS A LITTLE BETTER
13 THAN THAT, ABOUT .6 OF A PERSON YEAR.

14 MS. TRGOVCICH: MAYBE JUST FOR
15 CLARIFICATION THERE, I THINK WHAT JOHN IS SHOWING
16 YOU IS WHILE THEY MAY HAVE TWO PEOPLE COMMITTED TO
17 THE PROGRAM, THEY MAY ONLY BE SPENDING ONE-
18 QUARTER, ONE-HALF, OR ONE-TENTH OF THEIR TIME.

19 CHAIRMAN RELIS: THAT'S THE .6 PY.
20 THAT'S THE NET TIME DEVOTED TO THE ZONE PROGRAM.

21 MR. BLUE: YES. AND ANOTHER CAVEAT IS
22 THIS IS WHAT THEY'VE TOLD US, YOU KNOW. I CAN
23 TELL YOU THAT SOME OF THESE ARE SLIGHT
24 EXAGGERATIONS. SOME OF THESE ARE PRETTY ACCURATE,
25 BUT THIS IS WHAT THEY TOLD US. SO I DIDN'T HAVE A

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1 GOOD FILTER TO FILTER THEM ALL EQUALLY THROUGH, SO
2 I PUT WHAT THEY SAID DOWN.

3 CHAIRMAN RELIS: YOU ARE NOT GATHERING
4 THEIR TIME SHEETS.

5 MR. BLUE: EXACTLY. AND THEN WE DECIDED
6 TO LOOK AT, OKAY, IF THE ZONES ARE STAFFED
7 DIFFERENTLY, LET'S LOOK AT THE ZONES THAT HAVE
8 LESS THAN ONE PY WORKING ON THEM. AND AGAIN, IT'S
9 A PRETTY EVEN DISTRIBUTION BETWEEN RURAL AND URBAN
10 ZONES THAT FIT THIS CATEGORY. AND ON AVERAGE
11 ABOUT \$380,000 HAVE GONE INTO THESE ZONES. AND ON
12 AVERAGE THERE'S ONE PERSON, AND THIS PERSON IS
13 SPENDING ABOUT A THIRD OF THEIR TIME OR LESS ON
14 THE PROGRAM.

15 THE -- IN THE ZONES WITH A ONE
16 PERSON, ONE PY, OR MORE COMMITTED TO THE PROGRAM,
17 THERE ARE ABOUT FIVE RURAL ZONES AND SEVEN URBAN
18 ZONES FITTING THIS CATEGORY. AND IT'S ABOUT THE
19 SAME. THE LOAN DOLLARS HERE ARE ABOUT THE SAME.
20 ON AVERAGE ABOUT -- A LITTLE OVER TWO PEOPLE
21 WORKING, AND THE AGGREGATE IS A LITTLE OVER ONE.
22 YOU REALLY CAN'T DRAW -- THIS IS NOT A STRONG
23 BREAKING POINT. YOU REALLY CAN'T DRAW MUCH OF A
24 CONCLUSION FROM THIS NEXT SLIDE.

25 NOW, HERE WE HAVE A SIGNIFICANT

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1 DIFFERENCE. THIS IS WHERE -- THESE WE HAVE THREE
2 ZONES WITH ONE FULL-TIME STAFF PERSON WORKING ON
3 THE PROGRAM, AT LEAST ONE PERSON WORKING ALL OF
4 THEIR TIME ON THE PROGRAM. SOME OF THEM HAVE A
5 LITTLE BIT MORE. THE AVERAGE HERE IS, YOU KNOW,
6 OVER FIVE TIMES GREATER IN LOAN DOLLARS GOING IN
7 AT 1.7 MILLION PER ZONE. AGAIN, YOU KNOW, A
8 CAVEAT HERE IS THESE ARE PRETTY ACTIVE --
9 ECONOMICALLY PRETTY ACTIVE ZONES.

10 NOW, HERE IS THE OTHER SIDE OF THE
11 COIN. THIS IS KIND OF THE OTHER EXTREME. AND WE
12 HAVE ZONES THAT COMMIT LESS THAN A QUARTER OF A
13 PERSON TO THE PROGRAM. AND UNFORTUNATELY I HAVE
14 TO REPORT THAT THERE'RE 20 ZONES THAT FIT THIS
15 DESCRIPTION, SO ABOUT HALF THE ZONES HAVE LESS
16 THAN A QUARTER OF A PERSON ALLOCATED TO IT. AND,
17 YOU KNOW, AS YOU MIGHT EXPECT, A LARGE NUMBER OF
18 THEM RURAL, BUT THERE ARE SEVEN URBAN ZONES THAT
19 FIT THIS CATEGORY.

20 AND ON AVERAGE THE AVERAGE HERE IN
21 LOAN DOLLARS IS 370. DOESN'T SEEM LIKE MUCH OF A
22 BREAK. BUT IF YOU TAKE OUT TWO OF THE URBAN
23 JURISDICTIONS, WHICH ARE L.A. CITY, WHICH -- AND
24 CITY OF SAN JOSE, BOTH OF WHICH HAVE REALLY
25 RECENTLY CUT BACK THE COMMITMENT IN THE ZONE

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1 ADMINISTRATOR, AND PULLED THOSE OUT AS KIND OF
2 STATISTICAL OUTLIERS, THEN YOU SEE A SIGNIFICANT
3 DROP IN THE ACTUAL AVERAGE. THEN IT'S ABOUT
4 170,000, SO IT'S A SIGNIFICANT DIFFERENCE. IT'S
5 LIKE A TENTH OF WHAT YOU SEE IN THE ZONE WITH A
6 FULL-TIME ZONE ADMINISTRATOR.

7 THEN WE LOOKED AT THE BACKGROUNDS OF
8 THE ZONE ADMINISTRATORS. THIS IS PRETTY MUCH WHAT
9 WE'VE SEEN IN THE PAST. KIND OF ABOUT HALF AND
10 HALF ZONE ADMINISTRATORS AND SOLID WASTE OR
11 ECONOMIC DEVELOPMENT AND SOLID WASTE BACKGROUNDS,
12 AND SOME WITH THAT SAY THEY HAVE TRAINING IN BOTH.

13 AND THEN WE LOOKED AT -- THIS IS
14 KIND OF THE SAME THING, BUT WHERE IS THE ZONE
15 PROGRAM HOUSED AND WHAT'S THE REPORTING STRUCTURE
16 OF THE ZONE? AND IT'S ABOUT -- ABOUT HALF IS
17 FOCUSED MORE ON ECONOMIC DEVELOPMENT AND ABOUT
18 HALF ON SOLID WASTE. THE CITY AND COUNTY
19 ADMINISTRATORS, PEOPLE THAT REPORT TO THOSE, STILL
20 MAY BE IN A SOLID WASTE OR ECONOMIC DEVELOPMENT
21 FOCUSED PROGRAM.

22 NOW, HERE IS ONE PLACE WHERE WE
23 REALLY CAN ESTABLISH A TREND. AND THOSE ZONES
24 THAT ARE REPORTING TO ECONOMIC DEVELOPMENT
25 AGENCIES OR HOUSED IN ECONOMIC DEVELOPMENT

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1 AGENCIES, THEY'RE SHOWING A SIGNIFICANT INCREASE
2 OVER OTHER REPORTING AREAS AS FAR AS THEIR
3 ACTIVITY. AND STAFF HAVE SORT OF DRAWN THE
4 CONCLUSION THAT THIS IS BASED PROBABLY ON THE FACT
5 THAT THESE PEOPLE ARE MORE USED TO DOING THIS TYPE
6 OF WORK AND THEY'RE USED TO WORKING DEALS AND
7 HELPING BUSINESSES AND GETTING LOANS FOR THEM.

8 THERE ARE OBVIOUSLY EXCEPTIONS TO
9 THESE. CITY OF LONG BEACH, IT'S A SOLID WASTE
10 PUBLIC WORKS OFFICE, BUT THEY'RE VERY ACTIVE AND
11 VERY INTEGRATED WELL WITH THEIR ECONOMIC
12 DEVELOPMENT ACTIVITIES.

13 MEMBER PENNINGTON: YOU ATTRIBUTE THE --
14 TO ECONOMIC DEVELOPMENT PEOPLE THAT THEY HAVE MORE
15 BAGS -- MORE TRICKS IN THEIR BAG?

16 MR. BLUE: YEAH. I THINK IT'S THE WAY
17 THEY APPROACH THE PROBLEM. I THINK THEY'RE USED
18 TO DOING -- THEY SEE THIS AS AN EXTENSION OF WHAT
19 THEY'VE DONE BEFORE. AND A LOT OF THE ZONES THAT
20 ARE REPORTING TO ECONOMIC DEVELOPMENT OFFICES ARE
21 RURAL. SO, YOU KNOW, YOU CAN'T DRAW THE
22 CONCLUSION THAT IT'S BASED ON STRICTLY ON ECONOMIC
23 ACTIVITY EITHER. I THINK IT'S HIGHLY A FACTOR OF
24 THE NATURE OF, YOU KNOW, WHAT THEY'RE DOING.

25 CHAIRMAN RELIS: IT'S LIKE IN LONG BEACH,

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1 I HAPPEN TO KNOW THAT PROGRAM PRETTY WELL, AND JIM
2 COOL AND HIS STAFF, THEY'RE ECONOMIC -- THEY'RE
3 SOLID WASTE PEOPLE, BUT VERY ECONOMIC DEVELOPMENT.
4 I THINK THERE'S ALMOST -- THEIR OFFICES ARE ALMOST
5 INTERBLENDED IN THAT SCORE.

6 MR. BLUE: THEY CALL IT THE INTEGRATED
7 RESOURCES BUREAU, AND IT REALLY MAKES SENSE
8 BECAUSE THEY REALLY ARE INTEGRATED WITH THEIR
9 ECONOMIC DEVELOPMENT COMMUNITY.

10 MS. TRGOVCICH: ONE OF THE THINGS WE DID
11 HEAR AT THE ZONE ADMINISTRATORS WORKSHOP IN MARCH
12 FROM SEVERAL OF THE ADMINISTRATORS WAS WHEN YOU
13 ARE FOCUSED IN A SOLID WASTE PROGRAM, AND THIS IS
14 THE ONLY TRICK IN YOUR BAG, IT BECOMES VERY
15 DIFFICULT FOR YOU TO MEET WITH THE BROAD VARIETY
16 OF BUSINESSES THAT YOU NEED TO MEET WITH. AND
17 THEN ONCE YOU FIGURE OUT WHAT THEY REALLY DO NEED,
18 YOU KNOW, THERE MAY BE VERY FEW OF THEM THAT THIS
19 PROGRAM IS REALLY OF USE TO. AND IF THEY HAD THAT
20 BROAD ARRAY OF SERVICES TO OFFER AND THEY COULD
21 COME TO THE TABLE, YOU KNOW, MIXING AND MATCHING
22 THE VARIOUS FINANCIAL ASSISTANCE PROGRAMS, THAT
23 THAT WOULD BE FAR GREATER ASSISTANCE TO THEM.

24 MR. BLUE: AS A KIND OF ANECDOTAL
25 STATEMENT, THE IMPRESSION IS THAT THE PEOPLE WHO

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1 ARE HOUSED IN SOLID WASTE OFFICES, THIS IS REALLY
2 A SIDELINE THAT THEY UNDERTAKE IF THEY GET A CALL.
3 IF A BUSINESS CONTACTS THEM OR IF WE CONTACT THEM
4 WITH A BUSINESS, THEN THEY ACT. OTHERWISE THEY'RE
5 NOT OUT BEATING THE BUSHES FOR BUSINESSES TO WORK
6 WITH.

7 MEMBER PENNINGTON: LIKE THIS LONG BEACH
8 SITUATION WHERE THEY'VE REALLY DEVOTED THEIR TIME
9 AND EFFORT TO DO THAT. THEY MAY BE HOUSED IN THE
10 SOLID WASTE, BUT THEY'RE REALLY ECONOMIC
11 DEVELOPMENT. THEY'RE THINKING LIKE ECONOMIC
12 DEVELOPMENT PEOPLE.

13 MR. BLUE: THOSE GUYS CAN PULL OUT A LIST
14 OF DIFFERENT LOAN PROGRAMS AND BUSINESS ASSISTANCE
15 PROGRAMS TO BRING TO BEAR ON ANY PROJECT. IT'S
16 NOT JUST RMDZ PROGRAM. A LOT OF THE SOLID WASTE
17 FOLKS, THIS IS THE ONLY, YOU KNOW, ECONOMIC
18 DEVELOPMENT LOAN PROGRAM THAT THEY CAN NAME.

19 THE -- COUPLE OF -- GOING BACK OVER
20 A COUPLE OF THE TRENDS, THERE'S GREAT DIVERSITY IN
21 THE LEVEL OF SUPPORT OFFERED IN THE ZONE. YOU CAN
22 SEE THAT CLEARLY. GENERALLY URBAN ZONES DO BETTER
23 THAN RURAL ZONES. THAT'S KIND OF A NO BRAINER.
24 THE ZONES THAT ARE PART OF THE LOCAL ECONOMIC
25 DEVELOPMENT STRUCTURE TEND TO DO BETTER. ZONES

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1 WHICH HAVE A FULL-TIME STAFF PERSON TEND TO DO
2 BETTER. EVEN IF YOU HAVE FOUR PEOPLE ADDING UP TO
3 ONE PY, IT'S NOT AS GOOD AS HAVING ONE DEDICATED
4 PERSON. AND MANY ZONES DO NOT PUT MUCH EMPHASIS
5 ON THE PROGRAM. THAT'S THE SAD SIDE.

6 CHAIRMAN RELIS: SAD, BUT TRUE.

7 MR. BLUE: AND SO THAT'S THE GENERAL
8 PRESENTATION. NOW I'D LIKE TO INTRODUCE MARY
9 FARR, WHO WILL MAKE PRESENTATION ON THE CENTRAL
10 COAST ZONE. DO YOU HAVE ANY QUESTIONS ON THE
11 GENERAL?

12 CHAIRMAN RELIS: FIRST, I'D JUST OBSERVE,
13 WITHOUT YET THE INFORMATION ON THE CENTRAL, THAT I
14 THINK THIS IS EXACTLY THE KIND OF INFORMATION WE
15 NEED. I THINK THIS IS VERY HELPFUL TO US IN
16 STARTING TO SHAPE AS WE LOOK TO OUR STRATEGIC PLAN
17 AND OUR OVERALL EFFORT. HOW COULD WE DEPLOY OUR
18 RESOURCES? WHAT ARE THE CHARACTERISTICS OF
19 SUCCESS AND NONSUCCESS IN THIS AREA? AND I MEAN
20 GIVEN THE AVAILABLE TIME AND RESOURCES, WE JUST
21 NEED TO FOCUS MORE.

22 MS. TRGOVCICH: PERHAPS, AND I KNOW
THAT

23 MARY AND DASSI ARE GOING TO BE OVERVIEWING OR
24 HIGHLIGHTING FOR YOU SOME OF THE MORE SUCCESSFUL
25 ZONE EFFORTS, AND PERHAPS YOU CAN BE THINKING AS

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1 THEY PROVIDE YOU WITH THAT INFORMATION ABOUT THE
2 KIND OF ASSISTANCE OR INCENTIVES THAT THE ZONES
3 MAY NEED IN ORDER TO BE ABLE TO SEE THIS AS A MORE
4 INTEGRAL PART OF THE PROGRAM AND WANT TO GET OUT
5 THERE AND MARKET THOSE EFFORTS MORE DIRECTLY.

6 MS. FARR: GOOD MORNING. FOR THE RECORD
7 THIS IS MARY FARR. I'D LIKE TO GIVE YOU AN
8 OVERVIEW OF THE CENTRAL COAST RMDZ. THE CENTRAL
9 COAST RMDZ WAS CREATED IN 1993 AND CONSISTS OF
10 FOUR COUNTIES AND TWO CITIES -- THREE CITIES.
11 EXCUSE ME.

12 THE WAY THE ZONE HAS STRUCTURED ZONE
13 ADMINISTRATION, THE ACTIVITIES OF THE ZONE ARE
14 DIRECTED BY A ZONE COORDINATING COUNCIL CONSISTING
15 OF A REPRESENTATIVE OF EACH OF THE FOUR COUNTIES
16 AND THE CITIES. THERE'S A MAIN CENTRAL ZONE
17 ADMINISTRATOR TO HANDLE EXTERNAL ZONE OUTREACH AND
18 CONTACTS. LOCAL ZONE OUTREACH AND CONTACTS ARE
19 HANDLED BY EACH JURISDICTION OR ZONE
20 ADMINISTRATOR.

21 THE ZONE ADMINISTRATOR IS ROTATED
22 EVERY TWO YEARS AMONG THE PARTICIPATING JURIS-
23 DICTIONS. MONTEREY COUNTY WAS THE FIRST ZONE
24 ADMINISTRATOR. SANTA CRUZ IS CURRENTLY THE
25 CENTRAL ZONE ADMINISTRATOR.

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1 THE COUNCIL MEETS APPROXIMATELY
2 EVERY OTHER MONTH AND ROTATES THE MEETING
LOCATION

3 AROUND THE 8,000 SQUARE MILE ZONE. BOARD STAFF
4 ATTENDS THOSE MEETINGS EVERY TIME.

5 THE ZONE HAS A PAID PART-TIME
6 ADMINISTRATIVE ASSISTANT, AND IT'S HIRED FROM
7 OUTSIDE. IT'S A NONCIVIL POSITION. EACH
8 PARTICIPATING JURISDICTION CONTRIBUTES TO THE
COST

9 OF MAINTAINING THE ZONE, AND IT'S AN ANNUAL --
10 CURRENTLY IT'S A RATE OF 3,000 PER EACH
11 JURISDICTION.

12 CHAIRMAN RELIS: SO WHAT'S THE TOTAL
13 COMMITMENT?

14 MS. FARR: THERE'S SIX TIMES 3,000. THE
15 ZONE -- IN TERMS OF THE MARKETING OUTREACH
16 ACTIVITIES, THE ZONE HAS INITIATED TWO OUTREACH
17 PROJECTS. ONE PROJECT IS DIRECTED WITHIN THE
ZONE

18 AND THE OTHER DIRECTED OUTSIDE CALIFORNIA AND
19 POSSIBLY OVERSEAS.

20 IN FALL OF 1996, THE ZONE BEGAN
WORK

21 ON A SURVEY OF EXISTING ZONE BASED MANUFACTURERS
22 TO SEEK INFORMATION ABOUT MANUFACTURERS USING OR

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23 INTERESTED IN USING SECONDARY MATERIALS. THE
24 SURVEY RATE WAS ABOUT 11 PERCENT.
25 FOLLOW-UP CALLS ARE BEING MADE TO

1 THOSE INDICATING INTEREST IN RMDZ SERVICES. IN
2 SANTA CRUZ COUNTY ALONE SEVERAL LOAN APPLICATIONS
3 HAVE BEEN MAILED OUT AS A RESULT. BOARD STAFF
4 ASSISTED IN MAILING OUT ABOUT 1500 SURVEYS AND
5 LETTERS.

6 CURRENTLY THE ZONE IS WORKING ON A
7 FOLLOW-UP MAILING FOR THE NONRETURNED PORTION OF
8 THE SURVEY. BOARD STAFF WILL ALSO ASSIST SENDING
9 THOSE MAILINGS OUT.

10 FOR A NATIONWIDE OUTREACH, THE ZONE
11 DESIGNED TWO HIGH QUALITY OUTREACH PUBLICATIONS
12 COSTING ALMOST \$50,000. ONE PUBLICATION
13 CONSISTING OF BRIEF INFORMATION WILL BE SENT TO A
14 TARGETED LIST OF 15,000 MANUFACTURERS NATIONWIDE.
15 AND THE ZONE ADMINISTRATOR WOULD LIKE OUR HELP TO
16 PROVIDE SOME FINANCING TO FINANCE -- TO BUY MAYBE
17 THE 15,000 MANUFACTURERS LIST.

18 CHAIRMAN RELIS: THAT'S PRETTY
AMBITIOUS,

19 18,000 IN STAFF COMMITMENT AND 50,000 IN
OUTREACH.

20 MS. FARR: ANOTHER PUBLICATION CONSISTS
21 OF MORE DETAIL WILL BE SENT AFTER THE FIRST
22 MAILER. SO IT'S TWO PUBLICATIONS. THAT'S WHY
23 IT'S COSTING SO MUCH. AND THE SECOND
PUBLICATION,

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24 IT'S REALLY DETAILED PUBLICATION. IT HAS A LOT
OF
25 MORE INFORMATION.

1 THE ZONE HELD TWO RECYCLING PRODUCT
2 EXPOSITIONS DRAWING OVER 400 PARTICIPANTS. THE
3 ZONE HAS SUPPORTED TWO LOCAL MATERIALS EXCHANGE,
4 THE PROMAX AND BUILDMAX, AND THEY ARE BOTH
5 MATERIALS EXCHANGE SERVICES.

6 THE ZONE HAS PROVIDED FINANCIAL
7 SUPPORT FOR THE PUBLICATION AND DISTRIBUTION OF A
8 SOIL AMENDMENT SUPPLY DIRECTORY, HIGHLIGHTING
9 BUSINESSES THAT MADE PRODUCT FROM RECOVERED YARD
10 TRIMMINGS AND WOODWASTE. THE ZONE WAS RECENTLY
11 AWARDED A 30,000 GRANT FROM THE DOC FOR THE
12 PREPARATION OF A MARKET FEASIBILITY STUDY TO
13 IDENTIFY MANUFACTURERS THAT PRODUCE AGRICULTURAL
14 PACKAGING USING PET BEVERAGE CONTAINERS.

15 CHAIRMAN RELIS: WE THANK OUR FRIENDS AT
16 DOC.

17 MS. FARR: THE ZONE IS A MEMBER OF THE
18 NEWLY FORMED CENTRAL COAST MARKETING TEAM. IT'S A
19 REGIONAL PUBLIC/PRIVATE ECONOMIC DEVELOPMENT
20 INITIATIVE. AS A MEMBER, THE ZONE WILL BENEFIT
21 FROM THE INFORMATION SHARING AND CROSS MARKETING
22 ACTIVITIES.

23 IN TERMS OF LOAN ACTIVITIES, SINCE
24 ITS INCEPTION, THE ZONE HAS ASSISTED NEARLY 20
25 BUSINESSES WITH APPLICATIONS. OF THESE, SIX HAVE

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1 BEEN AWARDED. IN TOTAL THE ZONE HAS FACILITATED
2 893,000 IN LOANS, RESULTING IN 23 JOBS AND 235,000
3 TONS OF DIVERSION. THEY ALSO HAVE ASSISTED A
4 COMPANY -- THIS IS -- THIS COMPANY DIDN'T NEED ANY
5 LOAN, BUT THEY HAVE ASSISTED IN ESTABLISHING A
6 COMPANY. AND WHAT THEY DID IS THEY HAVE OFFERED
7 ASSISTANCE IN TERMS OF SITING A YARD WASTE
8 COMPOSTING PROGRAM FOR THIS COMPANY. SO ABOUT 250
9 TONS PER YEAR DIVERSION AND THE CREATION OF ONE
10 FULL-TIME DEDICATED POSITION RESULTED FROM THIS
11 EFFORT.

12 THAT CONCLUDES MY PORTION OF MY
13 PRESENTATION. IF THERE'S ANY QUESTIONS.

14 CHAIRMAN RELIS: THANK YOU VERY MUCH.

15 MEMBER PENNINGTON: THAT WAS GREAT.

16 MR. BLUE: AND NOW I'D LIKE TO INTRODUCE
17 DASSI PINTAR, WHO WORKS IN OUR SAUGUS OFFICE OF
18 THE WASTE BOARD, WHO'S GOING TO BE MAKING A
19 PRESENTATION ON THE L.A. COUNTY RMDZ.

20 MS. PINTAR: GOOD MORNING. MY NAME IS
21 DASSI PINTAR, AND THIS IS MY FIRST TIME SPEAKING
22 TO YOU. SO IT'S A PLEASURE.

23 I'D LIKE TO PRESENT AN OVERVIEW OF
24 THE L.A. COUNTY RMDZ. THE L.A. COUNTY ZONE IS
25 COMPRISED OF 14 CITIES AND ALL OF THE UNINCOR-

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1 PORATED COUNTY. THE ZONE'S ADMINISTERED BY THE
2 COMMUNITY DEVELOPMENT COMMISSION OR THE CDC OF
3 L.A. COUNTY, WHICH IS UNDER THE DIRECTION OF THE
4 COUNTY BOARD OF SUPERVISORS.

5 THE CDC PROVIDES COMMUNITY AND
6 ECONOMIC DEVELOPMENT AND AFFORDABLE HOUSING
7 FUNCTIONS FOR THE ENTIRE COUNTY. THIS ZONE HAS
8 ONE FULL-TIME STAFF, MONICA CARLOS, WHO SPENDS ALL
9 OF HER TIME ON THE ZONE PROGRAM. AND SHE HAS AN
10 ECONOMIC DEVELOPMENT BACKGROUND.

11 IN ADDITION, THE PROGRAM HAS JUST
12 HIRED AN INTERN WHO STARTED THIS WEEK WORKING
13 ABOUT 15 HOURS A WEEK EXCLUSIVELY ON THE RMDZ
14 PROGRAM. SO THEY'RE HOPING TO GET SOME ADDITIONAL
15 BENEFIT OUT OF THAT.

16 FURTHERMORE, THE ZONE HAS AN
17 ADMINISTRATIVE BOARD WHICH IS COMPRISED OF
18 REPRESENTATIVES FROM THE 14 CITIES AND THE COUNTY.
19 THERE ARE ABOUT ONE OR TWO REPRESENTATIVES FROM
20 EACH OF THE CITIES AND TWO REPRESENTATIVES OF
21 COUNTY PUBLIC WORKS FOR THE UNINCORPORATED COUNTY,
22 PLUS THE ZONE ADMINISTRATOR, AND THEY MEET EVERY
23 MONTH. THESE INDIVIDUALS HAVE A VARIETY OF
24 BACKGROUNDS. SOME OF THEM HAVE ECONOMIC
25 DEVELOPMENT BACKGROUND, SOME HAVE SOLID WASTE,

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1 PUBLIC WORKS, KIND OF A PRETTY GOOD MIX.

2 THE INDIVIDUALS FROM THE CITIES HAVE
3 RESPONSIBILITY FOR MARKETING WITHIN THEIR CITIES,
4 AT LEAST DOING THE INITIAL OUTREACH, AND THE ZONE
5 ADMINISTRATOR HAS RESPONSIBILITY FOR DOING
6 OUTREACH IN THE UNINCORPORATED COUNTY. ONCE THE
7 INITIAL CONTACTS ARE MADE, THE ZONE ADMINISTRATOR
8 THEN KICKS IN AND WORKS WITH THE CITIES AND THE
9 BUSINESSES WITHIN THE CITIES AS WELL.

10 THE ZONE ADMINISTRATIVE BOARD MEETS
11 EVERY MONTH AND THE -- TO DISCUSS ZONE ISSUES AND
12 MARKETING STRATEGIES. THE ZONE ADMINISTRATOR
13 ESTABLISHES AN AGENDA FOR EACH MEETING AND OFTEN
14 INVITES SPEAKERS ON TOPICS OF INTEREST TO THE
15 GROUP.

16 IN ADDITION, THE ZONE ADMINISTRATOR
17 PUTS OUT A NEWSLETTER EVERY MONTH FOR THE ZONE
18 WHICH SHE DISTRIBUTES AT THESE MONTHLY MEETINGS.
19 BOARD STAFF ATTENDS THESE MEETINGS, BOTH TECHNICAL
20 ASSISTANCE AS WELL AS LOAN STAFF, TO PROVIDE
21 SUPPORT TO THE ZONE AND TO THE INDIVIDUAL CITIES.

22 IN TERMS OF FUNDING FOR THE L.A.
23 COUNTY ZONE, IT'S A JOINT VENTURE BETWEEN THE ZONE
24 ADMINISTRATIVE BOARD AND THE CDC. EACH OF THE
25 CITIES PAYS \$3,000 ANNUALLY, SO THAT'S TIMES 14.

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1 THE COUNTY PAYS 5,000 ANNUALLY, AND THE CDC
2 PROVIDES 25,000 ANNUALLY. SO THAT'S A TOTAL OF
3 62,000.

4 IN TERMS OF MARKETING AND OUTREACH
5 ACTIVITIES, THE ZONE ADMINISTRATOR IS INVOLVED IN
6 A VARIETY OF EFFORTS TO MARKET THE PROGRAM,
7 INCLUDING MAILINGS, TELEPHONE FOLLOW-UP CALLS,
8 SITE VISITS, AND TECHNICAL AND FINANCIAL
9 ASSISTANCE REFERRALS FOR POTENTIAL LOAN
10 RECIPIENTS, AS WELL AS OTHER RECYCLING RELATED
11 BUSINESSES WITHIN THE ZONE. AND THE ZONE WORKS IN
12 CONJUNCTION WITH OTHER CDC LENDING PROGRAMS TO TRY
13 TO PRESENT, YOU KNOW, A FULL PACKAGE OF OPTIONS
14 FOR BUSINESSES.

15 IN ADDITION, THE ZONE HAS DESIGNED
16 ITS OWN RMDZ BROCHURE, WHICH IT PUTS IN ITS
17 MAILINGS AND PROVIDES AT VARIOUS FUNCTIONS THAT
18 THEY ATTEND. AND THERE'S A QUARTERLY CDC
19 NEWSLETTER WHICH GOES OUT -- WELL, QUARTERLY
20 THROUGHOUT THE COUNTY CALLED "PRO FORMA," AND THEY
21 ADVERTISE THE RMDZ IN THAT PUBLICATION AS WELL.

22 THE ZONE ADMINISTRATOR ALSO ATTENDS
23 BUSINESS FORUMS, CHAMBER OF COMMERCE MEETINGS,
24 MEETS WITH LENDERS TO PROMOTE THE PROGRAM TO
25 BUSINESSES AND LENDERS.

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1 CURRENTLY WE AND THEY ARE IN THE
2 MIDST OF A MASS MAILING. THE ZONE PURCHASED ABOUT
3 2,000 BUSINESS NAMES OF MANUFACTURERS, AND THEY
4 HAVE BEEN DOING AN INCREMENTAL MAILING, AND 1100
5 OF 2,000 HAVE ALREADY BEEN MAILED BY THE ZONE.
6 AND BOARD STAFF, WITH THE ASSISTANCE OF THE
7 STUDENTS, HAVE BEEN DOING FOLLOW-UP CALLS. AND
8 WE'VE COMPLETED ABOUT 700 OF THOSE CALLS ALREADY,
9 AND THAT'S KIND OF A CONSERVATIVE ESTIMATE. IT
10 MAY BE A LITTLE MORE BY NOW. BUT FROM THOSE WE'VE
11 GENERATED 10 PERCENT TECHNICAL REFERRALS, 5
12 PERCENT LOAN REFERRALS TO LOAN STAFF, 5 PERCENT
13 INFORMATION PACKETS, AND, IN ADDITION, FOUR
14 APPLICATIONS WERE SENT OUT AND ONE APPLICATION HAS
15 BEEN RECEIVED FROM THOSE 700 CALLS SO FAR.

16 IN ADDITION TO THE ZONE
17 ADMINISTRATOR'S EFFORTS, THE INDIVIDUAL CITIES
18 ALSO WORK ON THE PROGRAM. AND THE DEGREE TO WHICH
19 THEY DEVOTE THEIR TIME VARIES CONSIDERABLY. MOST
20 OF THE CITIES DO ATTEND THE MONTHLY MEETINGS.
21 THEY HAVE A VERY GOOD TURNOUT. AND SOME OF THE
22 CITIES DO A LOT OF ONGOING MAILINGS, A LOT OF
23 ONGOING MARKETING WITHIN THEIR CITIES,
24 PARTICULARLY COMMERCE, VERNON, AND MONTEBELLO.
25 THEY WILL DO REGULAR MAILINGS TO THEIR
BUSINESSES,

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1 DO FOLLOW-UP CALLS AND SITE VISITS, AND THEN
2 THEY'LL TURN OVER THE REFERRALS TO THE ZONE
3 ADMINISTRATOR OR DIRECTLY TO OUR LOAN STAFF.

4 OTHER CITIES DO SOME MAILINGS, BUT
5 TO A LESSER EXTENT. THEY'RE NOT QUITE AS INVOLVED
6 OR THEY HAVE BUSINESS FORUMS, ENVIRONMENTAL FAIRS,
7 CITIES LIKE SOUTH GATE, CARSON, PASADENA, BUT
8 THEY'RE NOT QUITE AS AGGRESSIVE AS SOME OF THE
9 OTHER CITIES.

10 BOARD STAFF WORKS VERY CLOSELY WITH
11 THIS ZONE, WITH THE ZONE ADMINISTRATOR, AND THE
12 CITY STAFF TO PROMOTE THE RMDZ PROGRAM IN L.A.
13 COUNTY. AS I MENTIONED BEFORE, BOARD STAFF ATTEND
14 THE MONTHLY ZONE MEETINGS, BOTH TECHNICAL
15 ASSISTANCE AND FREQUENTLY LOAN STAFF, IF POSSIBLE.
16 BOARD STAFF ACCOMPANIES THE ZONE ADMINISTRATOR AND
17 CITY STAFF TO MEET WITH BUSINESSES. BOARD STAFF
18 COORDINATE MARKET EFFORTS SUCH AS FOLLOW-UP CALLS
19 AND HAVE GIVEN EXTENSIVE TRAINING TO OUR STUDENT
20 INTERNS TO CONDUCT THESE TELEPHONE CALLS. WE HAVE
21 PURCHASED MAILING LISTS. WE HAVE PROVIDED CMA
22 LISTS, AND WE ALSO PURCHASED SOME DUN AND
23 BRADSTREET LISTS FOR L.A. COUNTY.

24 AND IN CONJUNCTION WITH THE ZONE
25 ADMINISTRATOR, THE BOARD STAFF IS CURRENTLY

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1 PLANNING TO CONDUCT AN ADDITIONAL MAILING WITH
2 FOLLOW-UP CALLS TO THE ENTIRE ZONE, INCLUDING THE
3 CITIES, HOPEFULLY TO GENERATE MORE LEADS AND
4 PERHAPS TO STIMULATE SOME ADDITIONAL ACTIVITIES IN
5 SOME OF THE CITIES WHERE THE CITIES HAVEN'T BEEN
6 QUITE AS ACTIVE.

7 BOARD STAFF ALSO ATTENDS LOCAL
8 BUSINESS FORUMS AND BRINGS THE RMDZ DISPLAY WHEN
9 REQUESTED. AND WE PROVIDE REFERRALS TO L.A.
10 COUNTY FROM THE R-TEAM OR OTHER SOURCES THAT COME
11 OUR WAY.

12 IN TERMS OF LOAN ACTIVITY, FOUR
13 LOANS HAVE BEEN APPROVED IN L.A. COUNTY SINCE IT
14 BECAME A ZONE IN 1994, AND THE TOTAL AMOUNT LOANED
15 WAS ABOUT TWO AND A HALF MILLION. THREE
16 APPLICATIONS HAVE BEEN SUBMITTED FOR THIS JULY 1ST
17 DEADLINE, AND SEVERAL OTHER APPLICATIONS ARE
18 ANTICIPATED TO BE SUBMITTED FOR THE NEXT QUARTER.

19 BASED ON THE FOUR LOANS THAT HAVE
20 BEEN APPROVED, ABOUT 40,000 TONS WERE DIVERTED
21 ANNUALLY AND ABOUT 40 JOBS CREATED. SOME OF THOSE
22 BUSINESSES WERE LIKE PLASTICS WHERE, YOU KNOW, THE
23 TONNAGE ISN'T REAL HIGH.

24 THAT CONCLUDES MY PRESENTATION.
25 CHAIRMAN RELIS: THANK YOU VERY MUCH.

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1 ANY QUESTIONS?

2 MEMBER PENNINGTON: NO, THAT'S FINE.

3 THANK YOU.

4 CHAIRMAN RELIS: OKAY.

5 MR. BLUE: I JUST WANTED TO MAKE ONE
6 QUICK POINT, AND DASSI TOUCHED ON IT HERE. BOTH
7 OF THESE ZONES DRAW HEAVILY ON BOARD STAFF. IT'S
8 THE OLD THING YOU CAN BRING A HORSE TO WATER, BUT
9 THEY HAVE TO COME TO US TO ASK FOR THE HELP WITH
10 THESE THINGS. WE CAN'T FORCE THEM TO TAKE THE
11 HELP FROM US, AND BOTH THESE ZONES DO RELY HEAVILY
12 ON BOARD STAFF FOR TECHNICAL ASSISTANCE AND TO
13 HELP WITH THEIR MARKETING EFFORTS.

14 THIS CONCLUDES THE PRESENTATION.
15 ANY QUESTIONS OF ME?

16 CHAIRMAN RELIS: NO QUESTIONS. THANK YOU
17 VERY MUCH. GOOD PRESENTATION.

18 OKAY. LET'S MOVE ON TO ITEM 4. WE
19 DO HAVE ONE PERSON WHO'S REQUESTED TO SPEAK.

20 MS. TRGOVCICH: ITEM 4 IS CONSIDERATION
21 OF CONTRACT CONCEPTS FOR MARKETING THE RECYCLING
22 MARKET DEVELOPMENT ZONES FOR FISCAL YEAR '97-'98.
23 WHAT YOU ARE GOING TO BE SEEING COMING BEFORE YOU
24 IS WHAT IS LIKELY TO BE THE CULMINATION OF THE
25 CONTRACT CONCEPTS FUNDED OUT OF THE RMDZ

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1 SUBACCOUNT FOR FISCAL '97-'98. DONNELL DUCLO HAS
2 SOME HANDOUTS THAT SHE IS GOING TO BE PROVIDING OR
3 HAS PROVIDED TO YOU -- THEY SHOULD BE IN FRONT OF
4 YOU ON THE TABLE RIGHT NOW -- WHICH PROVIDE YOU
5 WITH KIND OF A SUMMARIZED VERSION OF ALL OF THE
6 CONTRACT CONCEPTS THAT HAVE COME FORWARD TO YOU.
7 I WANTED TO MAKE SURE THAT THE MEMBERS SAW THE TWO
8 CONCEPTS BEING CONSIDERED TO DATE IN LIGHT OF THE
9 BROADER ARRAY OF CONCEPTS THAT HAVE EITHER BEEN
10 APPROVED OR ON THE TABLE.

11 WHAT YOU HAVE IN FRONT OF YOU IS A
12 TWO-COLUMN CHART. AND ON THE LEFT-HAND COLUMN,
13 THE APPROVED CONCEPTS ARE IDENTIFIED, AND THOSE
14 INCLUDE THE LOAN CLOSING; LOAN SERVICING;
15 SPECIALIZED CREDITOR ASSISTANCE, WHICH WILL BE
16 AWARDED THIS MONTH; A FINANCIAL CONSULTANT
17 CONTRACT MOVING OUT TO BID; THE CALCAP INTERAGENCY
18 AGREEMENT, WHICH YOU HEARD LAST MONTH AND WE ARE
19 CURRENTLY IN THE PROCESS OF NEGOTIATING; AND WHAT
20 WE INCLUDED ON HERE, BUT IS INCLUDED AS A BROADER
21 STUDENT ASSISTANCE CONTRACT, IS THE RMDZ
22 CONTRIBUTION TO THAT BROADER STUDENT ASSISTANCE
23 CONTRACT THAT MOVES FORWARD EACH YEAR.

24 ON THE RIGHT-HAND COLUMN, WHAT YOU
25 WILL SEE ARE THE THREE CONCEPTS THAT HAVE YET TO

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1 COME FORWARD. TWO ARE ON YOUR AGENDA THAT YOU
2 WILL BE HEARING ANY MOMENT NOW. THOSE INCLUDE THE
3 GENERAL MARKETING ASSISTANCE CONCEPT AND THEN A
4 RURAL ASSISTANCE CONCEPT, WHICH WILL BE DISCUSSED.
5 WE HAVE ALSO INCLUDED TO ENSURE THAT YOU KIND OF
6 SEE THE FULL ARRAY OF CONCEPTS THAT WILL BE COMING
7 FORWARD, A PLACE HOLDER FOR SPECIALIZED LEGAL
8 SERVICES.

9 THIS IS OUTSIDE COUNSEL. AS YOU ARE
10 AWARE, WE HAVE OUTSIDE COUNSEL ON RETAINER TO
11 ASSIST US WITH THE LOAN PROGRAM. IT IS VERY
12 DIFFICULT TO BE ABLE TO TRACK THE AMOUNT OF FUNDS
13 THAT ARE REQUIRED FROM YEAR TO YEAR SINCE WE HAVE
14 SPECIALIZED CASES THAT COME UP THAT MAY ALL OF A
15 SUDDEN REQUIRE SIGNIFICANT OUTSIDE LEGAL
16 RESOURCES. BANKRUPTCIES, FORECLOSURES THAT WERE
17 UNANTICIPATED WILL ALL OF A SUDDEN DRAIN THAT
18 CONTRACT. WE ARE EXPERIENCING THAT RIGHT NOW WITH
19 RECENT NEGOTIATIONS AROUND CERTAIN TIRE
20 BUSINESSES. AND SO WHAT YOU MAY SEE COMING
21 FORWARD IS A SUBSEQUENT CONCEPT TO ENTER INTO A
22 LEGAL SERVICES CONTRACT FOR THE REMAINDER OF
23 FISCAL YEAR 7-8. SO I WANTED TO MAKE SURE THAT
24 YOU SAW THESE ALTOGETHER.
25 AND WITH THAT, I'M GOING TO TURN THE

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1 PRESENTATION OVER TO RAFFY FROM THE ZONE SECTION,
2 AND HE WILL BE WALKING THROUGH THE PROCESS THAT WE
3 WENT THROUGH AND THEN THE CONCEPTS BEFORE YOU.

4 MR. KOUYOUMDJIAN: MY NAME IS RAFFY
5 KOUYOUMDJIAN. I'M HERE TO PRESENT AGENDA ITEM 4
6 AND TO ANSWER ANY -- GOOD MORNING. MY NAME IS
7 RAFFY KOUYOUMDJIAN. I'M HERE TO PRESENT AGENDA
8 ITEM NO. 4 AND TO ANSWER ANY QUESTIONS THAT YOU
9 MAY HAVE.

10 DURING THE PAST SEVERAL MONTHS,
11 BOARD STAFF HAVE BEEN RECEIVING REQUESTS TO
12 INCREASE THE RMDZ PROGRAM MARKETING EFFORTS FROM
13 THE ZONE ADMINISTRATORS. BASED ON THESE REQUESTS,
14 STAFF SENT OUT A LETTER, ATTACHMENT NO. 1, WHICH
15 IS PAGE 9 ON YOUR AGENDA ITEM PACKET, TO ALL THE
16 ZONE ADMINISTRATORS AND OTHER INTERESTED PARTIES,
17 SEEKING INPUT FROM THEM ON WHAT TYPE OF MARKET
18 ACTIVITIES NEED TO BE UNDERTAKEN TO BOOST RMDZ
19 PROGRAM'S RECOGNITION AND TO RECRUIT BUSINESSES
20 FOR THEIR LOAN PROGRAM.

21 THERE WERE THREE RESPONSES TO OUR
22 LETTER. THEY WERE FROM JANET COE, ZONE
23 ADMINISTRATOR FOR THE CHINO, CHINO HILLS RMDZ,
24 GAINOR AND ASSOCIATES, AND MATERIALS FOR THE
25 FUTURE FOUNDATION. THESE RESPONSES ARE FOUND IN

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1 THE AGENDA ITEM PACKET AS ATTACHMENTS 2, 3, AND 4,
2 PAGES 11 THROUGH 16. EACH PROVIDED US WITH IDEAS
3 ON HOW THEY WILL APPROACH MARKETING THE RMDZ
4 PROGRAM.

5 AFTER CAREFUL ANALYSES, STAFF WOULD
6 LIKE TO PROCEED WITH THE IDEAS PROPOSED BY THE
7 MATERIALS FOR THE FUTURE FOUNDATION. THIS CONCEPT
8 WILL SET UP FOUR INVESTMENT FORUMS IN CALIFORNIA
9 TO BRING BUSINESSES THAT ARE CAREFULLY SCREENED
10 AND PREQUALIFIED TO MEET WITH BANKERS, VENTURE
11 CAPITALISTS, AND OTHER FINANCIAL INSTITUTIONS FOR
12 INVESTMENT CAPITAL.

13 STAFF AT THIS TIME IS ASKING
14 APPROVAL OF THE CONTENT OF THE CONTRACT CONCEPT
15 FROM THE COMMITTEE. UPON APPROVAL, STAFF WILL BE
16 PRESENTING THIS CONTRACT CONCEPT TO THE
17 ADMINISTRATION COMMITTEE FOR APPROVAL OF THE
18 CONTRACT. THIS CONTRACT CONCEPT IS FOR THE AMOUNT
19 OF \$120,000.

20 THE SECOND CONTRACT CONCEPT
21 ADDRESSES SPECIFIC MARKETING NEEDS THAT THE RURAL
22 RMDZ'S HAVE. THIS CONTRACT CONCEPT WILL BE USED
23 TO IDENTIFY 15 BUSINESSES WITHIN THE RURAL RMDZ'S
24 THAT MANUFACTURE PRODUCTS FROM RECYCLED CONTENT
25 AND TO ASSIST THESE BUSINESSES IN DEVELOPING

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1 MARKETING PLANS FOR THEIR PRODUCTS. THESE
2 MARKETING PLANS WILL ALLOW THESE BUSINESSES TO
3 SELL THEIR PRODUCTS, WHICH, IN TURN, WILL HELP IN
4 THE INCREASED UTILIZATION OF RECYCLABLE FEEDSTOCK.
5 THIS CONTRACT CONCEPT BENEFITS THE RURAL RMDZ'S IN
6 REACHING THEIR AB 939 MANDATES. THIS CONTRACT
7 CONCEPT IS FOR THE AMOUNT OF \$40,000.

8 DO YOU HAVE ANY QUESTIONS?

9 CHAIRMAN RELIS: OKAY. BEFORE GOING TO
10 QUESTIONS, MAYBE WE CAN ASK JESSICA GAYLORD OF
11 EPA'S REGION 9 TO COME FORWARD AND TELL US WHAT'S
12 ON YOUR MIND.

13 MS. GAYLORD: GOOD MORNING. MY NAME IS
14 JESSICA GAYLORD. I'M FROM THE SOLID WASTE PROGRAM
15 AT EPA REGION 9 IN SAN FRANCISCO. AND I JUST
16 WANTED TO SPEAK BEFORE THE BOARD TODAY TO VOICE
17 OUR SUPPORT OF THE CONCEPT OF SPONSORING
18 INVESTMENT FORUMS IN CALIFORNIA. THIS HAS BEEN A
19 PRIORITY FOR US, SORT OF THE SCOPING OF HAVING AN
20 INVESTMENT FORUM. WE SEE THEM AS IMPORTANT
21 BECAUSE THEY PROVIDE FINANCING TO RECYCLING
22 BUSINESSES THAT HAVE TRADITIONALLY BEEN SHUT OUT
23 OF MORE MAINSTREAM FORMS OF FINANCING, HAVE
24 DIFFICULTIES ACCESSING THAT.

25 EPA HAS FUNDED INVESTMENT FORUMS IN

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1 A COUPLE OTHER PARTS OF THE COUNTRY. THERE'S ONE
2 IN THE SOUTHEAST AND ONE IN THE NORTHEAST, AND SO
3 WE HAVE SOME MODELS OF SUCCESSFUL INVESTMENT
4 FORUMS, AND YET THERE HASN'T BEEN ONE ON THE WEST
5 COAST.

6 I KNOW THAT THE WASTE BOARD IS
7 LOOKING AT HOLDING MORE THAN ONE, AND I THINK
8 THAT'S A GOOD APPROACH. I THINK THE LOCAL
9 EXPERTISE AND KNOWLEDGE OF RECYCLING BUSINESSES,
10 OF THE SOLID WASTE INDUSTRY IS BENEFICIAL, EVEN
11 INTEGRAL TO THE SUCCESS OF INVESTMENT FORUMS. AND
12 SO WE'RE LOOKING TO ENGAGE WITH THE WASTE BOARD IN
13 SOME SORT OF COOPERATIVE ARRANGEMENT TO MAKE THIS
14 HAPPEN IN CALIFORNIA.

15 OUR RESPONSIBILITIES EXTEND BEYOND
16 CALIFORNIA. WE'RE A REGIONAL OFFICE FOR ARIZONA
17 AND NEVADA, HAWAII, AS WELL AS CALIFORNIA. AND SO
18 WHILE WE HAVE SOME IDEA OF THE COMMITMENT THAT
19 WE'D LIKE TO MAKE TOWARDS INVESTMENT FORUMS, I
20 THINK ONLY PART OF OUR MONIES WOULD GO FOR THE
21 CALIFORNIA ONE. AND CERTAINLY IF THESE ARE
22 SUCCESSFUL, THEY COULD SERVE AS MODELS FOR THE
23 OTHER REGION 9 STATES THAT EPA --

24 CHAIRMAN RELIS: SO YOU'RE GOING TO
MAKE
25 A FINANCIAL.

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1 MS. GAYLORD: SOME SORT OF FINANCIAL.

2 CHAIRMAN RELIS: SOME UNSPECIFIED.

3 MS. GAYLORD: WE'VE TALKED IN THE
4 NEIGHBORHOOD OF 40,000. IT COULD BE LESS; IT
5 COULD BE MORE. WE'LL JUST NEED TO LOOK AT A TOTAL
6 PROJECT BUDGET ONCE WE GO FORWARD WITH THIS.

7 MS. TRGOVCICH: IN REVIEWING THE CONCEPT
8 AS IT WAS DESCRIBED IN THE ITEM AND IN HEARING
9 RAFFY'S PRESENTATION, IS THIS A VERY SIMILAR
10 APPROACH TO THE ONE THAT YOU WERE GOING TO BE
11 PURSUING, THAT U.S. EPA HAD PLACED AS A HIGH
12 PRIORITY?

13 MS. GAYLORD: YEAH. THERE AREN'T
14 EXACTLY -- THERE WEREN'T DETAILS PROVIDED IN THE
15 AGENDA ITEM IN TERMS OF HOW EXACTLY YOU WANT TO
16 SET UP AN INVESTMENT FORUM. I THINK THERE ARE
17 DIFFERENT WAYS TO DO THAT, AND WE CAN GET TO
THOSE

18 DETAILS. BUT IN GENERAL THE CONCEPT IS -- FITS
19 IN
20 WITH OUR PICTURE OF WHAT WE WANTED TO DO.

21 MS. TRGOVCICH: SO YOU WOULD BE
PURSUING,

22 AS YOU SAID, SOME SORT OF COOPERATIVE WORKING
RELATIONSHIP.

23 MS. GAYLORD: TO RELY ON THE BOARD'S

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24 EXPERIENCE AND KNOWLEDGE OF THE LOCAL
CONDITIONS,
25 ABSOLUTELY.

1 CHAIRMAN RELIS: WELL --

2 MEMBER PENNINGTON: MR. CHAIRMAN, I
THANK

3 U.S. EPA'S EFFORTS AND APPLAUD YOUR BEING HERE
TO

4 SUPPORT THIS, AND WE'LL TAKE ALL THE MONEY WE
CAN

5 GET.

6 CHAIRMAN RELIS: I HAVE A MOTION, IF
YOU

7 ARE --

8 MEMBER PENNINGTON: I JUST WAS GOING TO
9 SAY I'M VERY SUPPORTIVE OF THIS. I DO THINK I
10 HAVE TO QUESTION \$30,000 PER WORKSHOP, BUT I'M
11 SURE THAT THE MONEY AND THE VALUE IS THERE.

12 MS. TRGOVCICH: PERHAPS, MR. CHAIRMAN,
I

13 DON'T KNOW IF IT WOULD INTEREST YOU AT ALL, IF
YOU

14 WOULD LIKE GREATER DESCRIPTION OF WHAT GOES INTO
15 BUILDING THE INVESTMENT FORUMS, WHAT THE TIME --

16 CHAIRMAN RELIS: I THINK WE HAVE A
17 REASONABLE IDEA OF THAT.

18 I'M GOING TO MOVE THAT WE ADOPT
THE

19 STAFF'S RECOMMENDATION TO APPROVE CONTENT OF THE

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20 CONTRACT CONCEPTS FOR MARKETING THE RMDZ'S FOR
FY
21 '97-'98, FORWARD THE CONCEPTS TO THE ADMINISTRA-
22 TION COMMITTEE FOR APPROVAL WITH THE FOLLOWING
23 CHANGES: REGARDING THE CONCEPT FOR THE
INVESTMENT
24 FORUMS, WOULD SUGGEST THAT WE AUTHORIZE UP TO
25 120,000, BUT DIRECT THAT TWO FORUMS BE CONDUCTED

1 FIRST AND THAT THEIR RESULTS BE EVALUATED AS A
2 CONDITION TO ALLOCATING THE REMAINDER JUST SO WE
3 HAVE AN OPPORTUNITY TO EVALUATE THE BENEFIT OF
4 SUCH A FORUM, BUT I'M SOLIDLY BEHIND IT.

5 AND THEN DIRECT STAFF TO EXAMINE
6 POSSIBLE FINANCIAL INCENTIVES FOR ZONE
7 ADMINISTRATORS AND TO EXAMINE WHETHER THE ZONES
8 MIGHT BE SET UP -- WHERE WE MIGHT SET UP A GROUP
9 OF ZONE ADMINISTRATORS TO EXAMINE POSSIBLE
10 OPTIONS, MAKE RECOMMENDATIONS TO THE MARKET
11 DEVELOPMENT COMMITTEE, AND TO RETURN TO THE
12 COMMITTEE WITH RECOMMENDATIONS THIS FALL.

13 SO IT'S -- WE COULD EITHER MAKE THAT
14 ONE -- THE FIRST PART A SINGULAR MOTION WITH A
15 DIRECTIVE TO STAFF.

16 MS. TRGOVCICH: COULD I ASK FOR SOME
17 CLARITY ON THE FIRST PART OF THE MOTION AROUND THE
18 INVESTMENT FORUMS? WOULD IT BE YOUR DIRECTION TO
19 STAFF TO WORK WITH U.S. EPA AND IN DOING THAT WORK
20 WITH, YOU KNOW, THE IDENTIFIED PARTICIPANTS THAT
21 THEY HAVE BEEN NEGOTIATING WITH THUS FAR?

22 CHAIRMAN RELIS: YES. I THINK THEY
23 WOULD, I'M SURE, HAVE AN INTEREST IN THAT, AND
24 MIGHT BE A CONDITION OF THEIR INVOLVEMENT. SO
WE
25 WANT THEIR INVOLVEMENT, AND SO WE DO WANT THEM

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TO

1 PARTNER WITH US.

2 MS. GAYLORD: I THINK THERE'S SOME KEY
3 PLAYERS THAT WE'D WANT TO WORK WITH.

4 MS. TRGOVCICH: SO WE'RE COMMITTING TO
5 THEN GOING DOWN THAT PATH THROUGH THIS MOTION OF
6 WORKING WITH YOU AND PARTNERING WITH THOSE KEY
7 PLAYERS.

8 MEMBER PENNINGTON: OKAY. FINE. I'LL
9 SECOND THAT.

10 CHAIRMAN RELIS: OKAY. IT'S MOVED AND
11 SECONDED. WE'LL CALL THE ROLL.

12 THE SECRETARY: MEMBER PENNINGTON.

13 MEMBER PENNINGTON: AYE.

14 THE SECRETARY: CHAIRMAN RELIS.

15 CHAIRMAN RELIS: AYE. CONSENT?

16 MEMBER PENNINGTON: SURE. IT'S GOT TO GO
17 TO ADMIN COMMITTEE.

18 CHAIRMAN RELIS: ALL RIGHT. WHICH BRINGS
19 US TO ITEM 5.

20 MS. TRGOVCICH: MR. CHAIRMAN, JUST FOR
21 CLARITY, YOU MOVED BOTH CONCEPTS, SO DID YOU MOVE
22 THE RURAL CONCEPT AS WELL?

23 CHAIRMAN RELIS: YES, THAT WAS IN THERE.
24 I THINK THE RURAL, JUST TO COMMENT ON THAT, I
25 THINK BASED ON THE PRESENTATION WE HEARD, ANY

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1 FOCUSED EFFORT THAT WE CAN DO TO ASSIST, USING A
2 CONTRACT, I THINK WOULD BE OF GREAT BENEFIT BASED
3 ON THE PRESENTATION, EVIDENCE WE HEARD, YES.

4 MS. TRGOVCICH: ITEM NO. 5 BEFORE YOU IS
5 CONSIDERATION OF METHODS TO INCREASE LOANS
6 PROCESSED. THIS ITEM WAS PLACED ON THE AGENDA IN
7 ORDER TO BRING FORWARD TO YOU CONCEPTS, THOUGHTS,
8 IDEAS COMING OUT OF THE FEBRUARY 5TH WORKSHOP
9 COMING OUT OF THE ZONE ADMINISTRATORS CONCEPTS
10 AROUND WHAT WE CAN DO TO IMPROVE KIND OF MORE THE
11 ADMINISTRATION AROUND THE LOAN PROCESSING ASPECT
12 THAT OCCURS HERE AT THE BOARD. AND BOB CAPUTI
13 WILL BE SUMMARIZING FOR YOU, AND YOU CAN SEE IT IN
14 THE ITEM AS WELL, WHAT WE HAVE DONE TO IMPLEMENT
15 THOSE SUGGESTIONS THUS FAR AND WHAT REMAINS TO BE
16 DONE. BOB.

17 MR. CAPUTI: I'M BOB CAPUTI, MANAGER OF
18 THE LOAN PROGRAM, CHAIRMAN RELIS AND BOARD MEMBER
19 PENNINGTON.

20 THIS ITEM WOULD SEEK TO INCREASE THE
21 NUMBER OF LOANS PROCESSED BY THE LOAN PROGRAM BY
22 PROPOSING A NUMBER OF CHANGES TO THE LOAN PROCESS.
23 THESE CHANGES WOULD INCLUDE SIMPLIFYING THE APPEAL
24 PROCESS FOR LOANS DENIED BY STAFF FOR CREDIT
25 REASONS; MAKING IT EASIER AND FASTER TO BRING SUCH

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1 APPEALS DIRECTLY TO LOAN COMMITTEE, BY TAKING
2 APPLICATIONS FORWARD TO THE LOAN COMMITTEE WHERE
3 THE APPLICANT HAS DEMONSTRATED AN ABILITY TO
4 REPAY, BUT THE APPLICANT AND STAFF CANNOT AGREE ON
5 LOAN TERMS AND CONDITIONS; BY ALLOWING APPLICANTS
6 THE ABILITY TO APPEAL LOAN COMMITTEE DECISIONS
7 DIRECTLY TO THE MARKET DEVELOPMENT COMMITTEE; BY
8 DIFFERENTIATING BETWEEN LOANS THAT ARE DENIED FOR
9 CREDIT REASONS AND THOSE LOANS THAT ARE WITHDRAWN
10 FROM THE CREDIT PROCESS WHERE PROJECT ELIGIBILITY
11 AND CREDITWORTHINESS CANNOT BE DETERMINED DUE TO
12 MATERIAL DEFICIENCIES IN THE APPLICATION; AND,
13 FINALLY, BY REDUCING THE LOAN APPLICATION FEE FROM
14 3 PERCENT OF THE LOAN AMOUNT TO 2 PERCENT.

15 IT'S STAFF'S BELIEF THAT THESE
16 CHANGES WILL ALLOW THE LOAN COMMITTEE TO TAKE A
17 MORE ACTIVE ROLE IN THE LOAN PROCESSING SYSTEM AND
18 PROVIDE OPPORTUNITIES FOR REACHING FUNDING
19 AGREEMENT WITH APPLICANTS THAT HAVE NOT BEEN
20 POSSIBLE TO DATE.

21 SPECIFICALLY, THIS ITEM WOULD SEEK
22 APPROVAL TO REVISE THE EXISTING APPEALS PROCESS BY
23 ADOPTING THE PROPOSED LOAN PROGRAM LENDING
24 PROCEDURES CONTAINED IN ATTACHMENT 1 OF THIS ITEM
25 AND WOULD SEEK APPROVAL TO REDUCE THE LOAN

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1 ORIGINATION FEES TO THE BORROWER FROM 3 PERCENT TO
2 2 PERCENT.

3 THESE CHANGES ARE IN ADDITION TO A
4 NUMBER OF PROGRAMMATIC CHANGES THAT THE PROGRAM
5 HAS MADE SINCE THE FEBRUARY 5TH WORKSHOP AND THE
6 FEBRUARY 6TH MARKET DEVELOPMENT COMMITTEE MEETING.
7 THESE CHANGES INCLUDED THE OUTSOURCING OF CLOSING,
8 SERVICING, AND PROBLEM LOAN ACTIVITIES TO ALLOW
9 STAFF MORE TIME TO APPLY TO LOAN ORIGINATION,
10 ACQUIRING BETTER MARKETING TOOLS FOR BETTER
11 OUTREACH IN THE LOAN ORIGINATION AREA, MAKING
12 REGULATORY CHANGES THAT WOULD MAKE THE PROGRAM
13 MUCH MORE USER FRIENDLY TO THE APPLICANTS,
WORKING

14 ON AN ELIGIBILITY CRITERIA DOCUMENT THAT WILL
MAKE
15 IT EASY FOR THE ZONES TO DETERMINE ELIGIBILITY
IN
16 THE MAJORITY OF CASES WITHOUT CONTACTING STAFF
AND
17 ON THE SPOT IN WORKING WITH APPLICANTS.

18 WE'RE MAKING SOME OTHER CHANGES
AS
19 WELL, BUT THIS COMPLETE PACKAGE, WE HOPE, WILL
GO

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20 TOWARDS MAKING THE PROGRAM A LOT MORE USER
21 FRIENDLY AND INVOLVE MORE PEOPLE IN GETTING THE
22 LOANS TO YOU. ANY QUESTIONS?
23 MEMBER PENNINGTON: MR. CHAIRMAN, I'D
24 LIKE TO COMMEND STAFF ON AN EXCELLENT JOB AND
HAVE
25 DONE SOME OUTSTANDING ACCOMPLISHMENTS HERE,

1 PARTICULARLY SINCE THE WORKSHOP. I THINK THERE
2 WAS A LOT BROUGHT FORWARD AT THE WORKSHOP, AND
3 THEY HAVE SYNTHESIZED IT A LOT AND DONE AN
4 EXCELLENT JOB.

5 I DO HAVE ONE QUESTION, AND THAT IS
6 THAT THE 3-PERCENT LOAN ORIGINATION FEE THAT WE'RE
7 PAYING NOW, DOES THAT COVER OUR ADMINISTRATIVE
8 COST?

9 MR. CAPUTI: NO. IT'S NOT EVEN CLOSE.

10 MEMBER PENNINGTON: WELL, MR. CHAIRMAN,
11 I'D HAVE A HARD TIME SUPPORTING THAT REDUCTION
12 BECAUSE THE STATUTE REQUIRES THAT OUR LOAN FEES
13 COVER OUR ADMINISTRATIVE COST. AND IF WE'RE NOT
14 COMPLYING WITH THE STATUTORY REQUIREMENTS NOW, I
15 CAN'T SEE REDUCING AND MAKING IT EVEN LESS OR
16 GREATER BEING OUT OF COMPLIANCE WITH WHAT THE
17 STATUTE REQUIRES. I CERTAINLY WOULD SUPPORT
18 EVERYTHING ELSE, BUT I CAN'T -- I CAN'T SUPPORT
19 REDUCING A RATE THAT WE'RE ALREADY IN VIOLATION.

20 CHAIRMAN RELIS: MS. TRGOVCICH, DID YOU
21 HAVE A COMMENT?

22 MS. TRGOVCICH: CERTAINLY. WE BECAME
23 AWARE OF THIS ISSUE YESTERDAY, AND I ASKED LEGAL
24 COUNSEL TO TAKE A LOOK INTO, AND PERHAPS DEBBIE
25 HAS SOME COMMENTS TO OFFER.

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1 MS. BORZELLERI: ACTUALLY I JUST LOOKED
2 AT THIS THIS MORNING. THE WAY I'M READING THIS,
3 IT DOESN'T APPEAR THAT WE'RE REQUIRED TO FULLY
4 FUND THE PROGRAM. I WOULD NEED TO GO BACK AND
5 LOOK AT THE LEGISLATIVE HISTORY. BUT AT MY FIRST
6 GLANCE, IT DOESN'T APPEAR THAT THE ABSOLUTE FULL
7 FUNDING IS REQUIRED.

8 SO AGAIN, I CAN BE READY, YOU KNOW,
9 IN A COUPLE OF DAYS WITH AN ANSWER FOR YOU, BUT,
10 YOU KNOW, IT APPEARS THAT THE STATUTE'S INTENT IS
11 THAT SOME -- SOME OF THESE FEES COVER THE FUNDING,
12 BUT I CAN'T READ THAT IT'S ABSOLUTELY REQUIRED
13 THAT THE FULL FUNDING NEEDS TO BE THERE.

14 MEMBER PENNINGTON: I WOULD THINK THAT,
15 EVEN IF I AGREE THAT IS WHAT IT SAYS, THEN THAT
16 EVEN MAKES MY POINT MORE, THAT WE'RE ACTUALLY
17 TRYING TO LESSEN WHAT IT'S ASKING US TO COVER AT
18 THE MOST.

19 MS. BORZELLERI: THAT'S CERTAINLY YOUR
20 PREROGATIVE, AND REGULATION ALLOWS FOR THAT.

21 MR. CAPUTI: I MIGHT ADD THIS IS -- THE
22 OBJECT OF THE ITEM IS TO INCREASE THE AMOUNT OF
23 LOANS COMING TO THE BOARD. THE 3-PERCENT
24 REDUCTION TO 2 PERCENT WAS IN RESPONSE TO
25 CRITICISM FROM SOME OF THE ZONES AND SOME OF THE

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1 APPLICANTS THAT BORROWED. I DON'T THINK THAT THIS
2 WOULD HAVE A BIG EFFECT ON THE NUMBER OF LOANS
3 REACHING YOU. IT WAS MORE OF A PERCEPTION PROBLEM
4 IN BRINGING US CLOSER TO WHAT OTHER PROGRAMS ARE
5 DOING.

6 CHAIRMAN RELIS: A QUESTION. THIS IS THE
7 FIRST TIME I'VE HEARD THAT THE FEE WASN'T COVERING
8 THE COST, THE STAFF COST, THE ORIGINATION FEE.

9 MS. TRGOVCICH: I DON'T BELIEVE THAT THE
10 STAFF, YOU KNOW, IN THE PAST OR PRIOR BOARDS HAVE
11 INTERPRETED THAT SECTION OF STATUTE TO REQUIRE
12 THAT THE FEE COVER ALL OF OUR ADMINISTRATIVE
13 COSTS, THAT IT JUST BE SET SO AS TO COVER INITIAL
14 REVIEW APPLICATION TYPE OF COSTS. YOU KNOW, I
15 HAVEN'T BEEN HERE FOR THE PAST HOWEVER MANY YEARS
16 THE PROGRAM HAS BEEN OPERATING. BOB'S BEEN WITH
17 THE PROGRAM FOR A COUPLE YEARS, SO I DON'T THINK
18 EITHER OF US COULD REALLY SPEAK TO THE ORIGINAL
19 INTENT OF THE PRIOR BOARD IN ESTABLISHING THE FEE
20 AT THE 3-PERCENT LEVEL. BUT I DON'T BELIEVE IT
21 WAS EVER OUR INTENT TO SEE THAT FEE COVER ALL OF
22 THE ADMINISTRATIVE COST.

23 CHAIRMAN RELIS: I NEVER UNDERSTOOD THAT
24 TO BE THE CASE. BUT ANYWAY, I THINK MAYBE WE
HAVE
25 ONLY A SMALL DIFFERENCE OF OPINION HERE. I WOULD

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1 SUGGEST THAT WE MOVE, IN LIGHT OF THIS -- I DON'T
2 HAVE ANY SPEAKER SLIPS. IS THERE ANYONE WHO
3 WISHES TO SPEAK TO THIS ITEM? THEN I'M GOING TO
4 MAKE A SUGGESTION THAT WE MOVE TO ADOPT STAFF'S
5 PROPOSED LOAN LENDING PROCEDURES AS OUTLINED IN
6 ATTACHMENT 1. AND THEN I WOULD SUGGEST THAT
7 PERHAPS, IF WE AGREE ON THAT, I WOULD LIKE TO
8 LOWER THE RATE BECAUSE I THINK IT'S AN INDUCEMENT.
9 BUT MAYBE WE SHOULD JUST BREAK THAT OUT AND
10 RESOLVE -- SEE IF WE CAN RESOLVE THAT BETWEEN NOW
11 AND THE BOARD MEETING. AND IF NOT, JUST VOTE ON
12 THAT PORTION THERE.

13 AND THEN I ALSO WISH TO RECOMMEND
14 THAT WE DELETE THE APPEAL PROCESS AS OUTLINED IN
15 SECTION E OF ATTACHMENT 1 FOR DENIALS MADE BY THE
16 LOAN COMMITTEE ON THE BASIS OF CREDIT IN THE
17 BELIEF THAT BOARD MEMBERS, I DON'T THINK WE WANT
18 TO BE IN A POSITION TO BE LOOKING AT CREDIT
19 ISSUES, AT LEAST THAT'S THIS MEMBER'S TAKE.

20 MS. TRGOVCICH: IN TERMS OF THAT SECOND
21 ITEM, THE ITEM E UNDER THE APPEALS PROCESS, STAFF
22 INCLUDED THAT, YOU KNOW, FOR THE COMMITTEE AND
23 SUBSEQUENTLY, IF YOU SO DESIRE, THE BOARD TO
24 CONSIDER AS AN OPTION. THE CURRENT APPEALS
25 PROCESS STOPS AT THE LOAN COMMITTEE LEVEL,

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1 ALTHOUGH THE BOARD HEARS ALL OF THE LOANS ON THE
2 BASIS OF THE POLICY DECISION AROUND THE
3 ELIGIBILITY CRITERIA. THIS IS AN OPTION FOR YOU
4 TO CONSIDER AROUND A CHANGE IN THE APPEALS
5 PROCESS.

6 CHAIRMAN RELIS: SO I'M RECOMMENDING NOT
7 TO GO THAT WAY.

8 MEMBER PENNINGTON: I WOULD SUPPORT THAT.
9 AFTER ALL, WE HAVE BANKERS ON THE LOAN COMMITTEE
10 THAT --

11 CHAIRMAN RELIS: I FEEL FAR MORE
12 COMFORTABLE WITH THEIR JUDGMENTS ON CREDIT THAN MY
13 OWN.

14 MEMBER PENNINGTON: ONLY EXCEPT FOR WHEN
15 I'M ASKING FOR A LOAN.

16 CHAIRMAN RELIS: SO IS THE MOTION CLEAR?

17 MS. TRGOVCICH: THE MOTION IS CLEAR.
18 MAYBE IF I CAN JUST COMMENT, GIVEN THE DIRECTION
19 ON THE LAST ITEM, THE CONTRACT ITEM WHERE YOU
20 DIRECTED STAFF TO TAKE A LOOK AT, IN CONJUNCTION
21 WITH THE ZONE ADMINISTRATORS, INCENTIVES AROUND
22 THE CONVERSATIONS, MY GUESS IS, BASED UPON
23 CONVERSATIONS I'VE HAD WITH SOME OF THE
24 ADMINISTRATORS, THAT THEY'RE INTERESTED IN A
25 PORTION OF THAT FEE AS WELL. SO PERHAPS, YOU

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1 KNOW, A DELAY IN THE ACTION AROUND THE FEE WILL
2 ALLOW US TO INVESTIGATE THE LEGAL SIDE OF IT, BUT
3 IT WILL ALSO GIVE THE ZONE ADMINISTRATORS SOME
4 OPPORTUNITIES AS WELL TO TAKE A LOOK AT INCENTIVES
5 THEY MAY WISH TO PROPOSE.

6 MEMBER PENNINGTON: WHAT THEY'RE ACTUALLY
7 SUGGESTING IS IS THAT WE LOWER OURS SO THEY CAN
8 GET SOME, SO TO THE APPLICANT IT DOESN'T REALLY
9 LOWER IT.

10 MS. TRGOVCICH: ONE OPTION THAT'S BEEN
11 CONSIDERED OR HAS BEEN TOSSED ABOUT SINCE I CAME
12 TO THIS PROGRAM IS RETURNING 1 OR 2 PERCENT OF
13 THAT FEE TO THE ADMINISTRATORS FOR A FUNDED LOAN
14 AS AN INCENTIVE.

15 CHAIRMAN RELIS: SO, MR. PENNINGTON, DID
16 I HEAR A SECOND --

17 MEMBER PENNINGTON: YEAH.

18 CHAIRMAN RELIS: -- ON THE MOTION?

19 SO WE HAVE -- WE'VE MOVED AND
20 SECONDED THIS MOTION. WE'LL CALL THE ROLL.

21 THE SECRETARY: MEMBER PENNINGTON.

22 MEMBER PENNINGTON: AYE.

23 THE SECRETARY: CHAIRMAN RELIS.

24 CHAIRMAN RELIS: AYE. OKAY.

25 AND IF I MIGHT JUST SUGGEST TO SEE

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1 WHETHER WE COULD EXAMINE THE POTENTIAL USE OF THE
2 LOAN ORIGINATION FEES, THIS IS MORE A DIRECTION
3 FOR STAFF WORK, IN LIGHT OF THE FINANCIAL
4 INCENTIVE ISSUES DISCUSSED IN THIS ITEM BECAUSE I
5 THINK WE'RE STILL VERY INTERESTED IN JUST
6 EXPLORING VARIOUS WAYS OF PROVIDING MORE
7 ASSISTANCE OR RATHER INCENTIVES.

8 MS. TRGOVCICH: INCENTIVES COULD BE
9 FINANCIAL OR OTHERWISE TO THE ZONE ADMINISTRATORS,
10 CERTAINLY. ONE OF THE THINGS THAT I WAS HOPING TO
11 DO AS A RESULT OF YOUR DIRECTION WAS TO BE TO WORK
12 WITH THE NEW ZONE SECTION SUPERVISOR, MINDY FOX,
13 TO WORK THROUGH THE ZONE ADMINISTRATORS ASSOCIA-
14 TION TO HAVE THEM CONVENE THEMSELVES AS A GROUP
15 AND PROPOSE SOME OPTIONS TO THE BOARD.

16 CHAIRMAN RELIS: OKAY. THAT BRINGS US TO
17 ITEM 6.

18 MS. TRGOVCICH: ITEM 6 IS CONSIDERATION
19 OF A REVISED MARKET DEVELOPMENT REVOLVING LOAN
20 PROGRAM PRIORITY RATING SYSTEM. I'D LIKE TO
21 PROVIDE A FEW COMMENTS AND THEN ASK YOU HOW YOU
22 WOULD LIKE TO PROCEED HERE.

23 THIS ITEM WAS PLACED ON THE AGENDA
24 BY STAFF FOR A COUPLE OF FUNDAMENTAL REASONS.
25 FIRST AND FOREMOST IS THAT THE CURRENT PRIORITY

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1 RATING SYSTEM THAT IS USED BY STAFF WHERE YOU SEE
2 IT EACH TIME A LOAN COMES FORWARD TO MARKET
3 DEVELOPMENT COMMITTEE AND THE BOARD IS A VERY
4 SUBJECTIVE SYSTEM, AND IT'S BEEN VERY DIFFICULT
5 FOR STAFF TO APPLY AND HAS NOT GENERALLY BEEN
6 CONSISTENT AND -- BECAUSE EVERYONE CAN LOOK AT A
7 LOAN DIFFERENTLY. AND SO WHAT WE WANTED TO DO WAS
8 TO SEEK THE COMMITTEE'S DIRECTION ON REVISING THE
9 CURRENT RATING SYSTEM SO THAT IT WAS LESS
10 SUBJECTIVE AND LESS SUBJECT TO PROTEST POTENTIALLY
11 BY ANY BORROWERS.

12 THE SECOND ISSUE THAT COMES UP AND
13 HAS ARISEN THROUGH THE BRIEFINGS THAT WE'VE HELD
14 WITH THE VARIOUS MEMBER OFFICES IS THE NEED FOR A
15 PRIORITY RANKING SYSTEM. WHILE YOU MAY -- THE
16 PURPOSE OF THE PRIORITY RANKING SYSTEM IS TO RANK
17 LOANS ONE AGAINST THE OTHER IN THE EVENT OF
18 INSUFFICIENT FUNDING FOR THE NUMBER OF APPLICA-
19 TIONS BEING CONSIDERED. IT'S A MECHANISM THAT THE
20 COMMITTEE AND BOARD CAN USE, THEN, IF YOU HAVE
21 LESS MONEY THAN YOU HAVE APPLICATIONS THAT COULD
22 BE FUNDED BEFORE YOU, TO RANK THE APPLICANTS OR
23 POTENTIAL BORROWERS AND SAY WHICH ONES YOU WANT TO
24 FUND.

25 THIS IS ON TOP OF THE EXISTING

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1 ELIGIBILITY CRITERIA THAT WAS ADOPTED BY THE BOARD
2 LAST MONTH. SO IT'S A WAY IN WHICH, EVEN THOUGH
3 THE LOANS MAY BE ELIGIBLE, IF YOU HAVE LIMITED
4 FUNDING, TO PRIORITIZE. WE ARE CURRENTLY NOT IN
5 THAT SITUATION, AND IT IS UNLIKELY THAT WE WILL BE
6 IN THAT SITUATION FOR SOME TIME TO COME. WE ARE
7 WORKING TO BE ABLE TO MOVE THE MONEY OUT THROUGH
8 THE LOAN PROGRAM, BUT IT IS UNLIKELY YOU WILL SEE
9 THE DEMAND FOR THE FUNDS EXCEED THE SUPPLY OF
10 FUNDS AVAILABLE FOR PROBABLY MORE THAN ONE TO TWO
11 YEARS OUT.

12 SO IN LIGHT OF THAT, I WOULD LIKE TO
13 AT LEAST OFFER BEFORE YOU TODAY AS WELL, YOU WOULD
14 HAVE A NUMBER OF OPTIONS. ONE OPTION WOULD BE TO
15 REVISE THE RANKING SYSTEM. ANOTHER OPTION AS WELL
16 WOULD BE TO CONSIDER ELIMINATING ITS APPLICATION
17 ENTIRELY RIGHT NOW UNTIL WE GET CLOSER TO THAT
18 SUPPLY AND DEMAND EQUATION AROUND THE FUNDS.

19 WITH THAT, I'D LIKE TO ASK WHAT THE
20 COMMITTEE'S DESIRE WOULD BE, WHETHER OR NOT TO
21 HEAR THE PRESENTATION AROUND THE REVISION OF THE
22 RANKING SYSTEM OR SOME ALTERNATIVE APPROACH.

23 CHAIRMAN RELIS: WELL, I WAS GOING TO
24 OFFER, IF IT'S OKAY WITH MR. PENNINGTON, I
HAVE

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25 FIRST A FEW OBSERVATIONS ON THIS. I AGREE
THAT

1 WE'RE TAKING ON SOMETHING, IN EFFECT, THAT IS
2 AHEAD OF THE GAME. WE'VE ENCUMBERED OURSELVES
3 PERHAPS PREMATURELY WITH A RANKING SYSTEM THAT IS
4 NOT REQUIRED RIGHT NOW. SO I WOULD FAVOR US
5 FREEING OURSELVES FROM THAT ENCUMBRANCE.

6 WE DO HAVE THE ELIGIBILITY CRITERIA.
7 THEY'VE SERVED US. AND WHEN AND IF THE TIME
8 ARISES, WHEN STAFF IDENTIFIES AN EXCESS OF DEMAND
9 OVER SUPPLY WHERE CRITERIA OF THIS WOULD BECOME
10 RELEVANT, THEN SO NOTICE US, AND THEN WE CAN BRING
11 IT UP, CALENDAR IT AS AN ITEM, AND LOOK AT THESE
12 CRITERIA AND OTHERS AT THAT TIME AND DEAL WITH IT.

13 MS. TRGOVCICH: AND IT WILL LIKELY BE
14 SOME ALTERNATIVE. BOB POINTED OUT TO ME THIS
15 MORNING, VERY APPROPRIATELY, THAT AS WE MOVE INTO
16 A MONTHLY CYCLE, WHICH WILL LIKELY BE IN THE EARLY
17 PART OF THE FALL, AND YOU SEE CONTINUOUS APPLICA-
18 TIONS MOVING FORWARD, THE APPLICATION OF A RANKING
19 SYSTEM LIKE THIS TO RANK ONE LOAN AGAINST ANOTHER
20 BECOMES LESS RELEVANT BECAUSE YOU'RE NOT SEEING
21 THEM COMING FORWARD AS A GROUP. YOU'RE SEEING
22 THEM MOVE THROUGH CONTINUOUSLY. SO ONE MONTH YOU
23 MAY HAVE ONE LOAN, THE NEXT MONTH YOU MAY HAVE
24 TWO, THE NEXT MONTH YOU MAY HAVE ONE, THE NEXT
25 MONTH YOU MAY HAVE THREE. SO THE ABILITY TO
APPLY

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1 A RANKING SYSTEM MAY BE SEVERELY LIMITED.

2 CHAIRMAN RELIS: SO GIVEN THIS, I WOULD
3 LIKE TO MAKE A MOTION THAT WE DIRECT STAFF TO
4 DISCONTINUE USE OF THE CURRENT RANKING SYSTEM AND
5 THAT WE DIRECT YOU TO RETURN WITH A NEW PROPOSAL
6 BASED ON SUGGESTIONS DISCUSSED TODAY AND
7 SUBSEQUENTLY WHEN IT LOOKS LIKE WE'RE GETTING
8 CLOSER TO HAVING DEMAND EXCEED SUPPLY.

9 MEMBER PENNINGTON: I SECOND THAT.

10 CHAIRMAN RELIS: IT'S BEEN MOVED AND
11 SECONDED. WE'LL CALL THE ROLL.

12 THE SECRETARY: MEMBER PENNINGTON.

13 MEMBER PENNINGTON: AYE.

14 THE SECRETARY: CHAIRMAN RELIS.

15 CHAIRMAN RELIS: AYE.

16 I THINK WE WILL TAKE A FIVE-MINUTE
17 PAPER BREAK NOW AND DEAL WITH THAT. THANK YOU
18 VERY MUCH.

19 (RECESS TAKEN.)

20 CHAIRMAN RELIS: CALL BACK TO ORDER THE
21 MARKET DEVELOPMENT COMMITTEE AND TAKE UP OUR LAST
22 ITEM 7. SO IF I COULD ASK EVERYBODY BE SEATED.

23 MS. TRGOVCICH: ITEM NO. 7 ON YOUR AGENDA
24 IS CONSIDERATION OF THE METHODOLOGY AND
25 CALCULATION OF THE PRELIMINARY --

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1 CHAIRMAN RELIS: LET'S STOP. WAIT FOR
2 EVERYBODY TO BE SEATED OR OUT OF THE ROOM.

3 YES, SIR. QUESTION WAS WAS THE
4 PREVIOUS ITEM CONSENT. WE VOTED IT OUT. IS THERE
5 ANY ISSUE? SHOULD WE MAKE IT CONSENT OR DO YOU
6 WANT A DISCUSSION?

7 MEMBER PENNINGTON: I THINK IT'S FINE TO
8 GO CONSENT.

9 CHAIRMAN RELIS: OKAY. WE'LL MAKE IT
10 CONSENT.

11 MS. TRGOVCICH: ITEM NO. 7, TO REPEAT THE
12 TITLE, IS CONSIDERATION OF THE METHODOLOGY AND
13 CALCULATION OF THE PRELIMINARY 1996 AND REVISED
14 1995 CALIFORNIA POSTCONSUMER PAPER UTILIZATION
15 RATE.

16 JUST BY WAY OF BACKGROUND ON THIS
17 ITEM, BEFORE I TURN IT OVER TO BRIAN, THIS IS AN
18 ANNUAL CALCULATION THAT IS DONE, AND I'M SURE HE
19 WILL COVER IN HIS PRESENTATION WHERE THIS
20 ORIGINATED. I WOULD LIKE TO JUST STATE AS THE
21 STAFF ON THIS PROGRAM THAT THIS PROGRAM, MEANING
22 THE EXAMINATION OF PAPER RECOVERY RATES, THE
23 PROMOTION OF PROGRAMS TO ENHANCE PAPER RECOVERY,
24 IS INCLUDED AS A PRIORITY ACTIVITY IN THE BOARD'S
25 MARKET DEVELOPMENT PLAN AND THAT WE HAVE USED THAT

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1 AS THE BASIS OF INCORPORATING THIS ACTIVITY INTO
2 OUR ANNUAL WORK PLANS, AND IT'S INCLUDED AS AN
3 ACTIVITY IN THE STRATEGIC PLAN.

4 I ONLY SAY THAT SIMPLY BECAUSE THIS
5 IS ONE OF OUR THREE PRINCIPAL PRIORITY MATERIALS,
6 AND WE SEE THIS AS A SIGNIFICANT EFFORT IN MEETING
7 THE 50-PERCENT DIVERSION DIRECTIVE OR DISPOSAL
8 REDUCTION DIRECTIVE, DEPENDING ON WHICH WAY YOU'RE
9 IN.

10 WITH THAT, I'D LIKE TO TURN IT OVER
11 TO BRIAN FOR PRESENTATION.

12 MR. FORAN: THANKS, CAREN. MORNING, MR.
13 RELIS, MR. PENNINGTON. THERE'S ACTUALLY THREE
14 ITEMS FOR CONSIDERATION TODAY. ONE IS THE
15 CALCULATION OF THE PRELIMINARY 1996 UTILIZATION
16 RATE FOR TOTAL CALIFORNIA POSTCONSUMER PAPER, OLD
17 NEWSPAPERS, AND OLD CORRUGATED CONTAINERS. THEN
18 THERE'S THE CALCULATION OF THE REVISED 1995
19 UTILIZATION RATES. AND THIRD, THERE'S A PROPOSED
20 REVISION TO THE CALCULATION METHOD.

21 THE BOARD ESTABLISHED THE
22 UTILIZATION GOALS TO PROVIDE INCENTIVES TO BOOST
23 PAPER RECOVERY AND RECYCLING IN CALIFORNIA IN
24 ORDER TO REACH 50-PERCENT DIVERSION BY THE YEAR
25 2000. ON DECEMBER 15, 1993, THE MARKET

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1 DEVELOPMENT COMMITTEE ESTABLISHED NONMANDATORY
2 GOALS OF 25 PERCENT POSTCONSUMER PAPER UTILIZATION
3 BY THE YEAR 1995 AND 50 PERCENT BY THE YEAR 2000.
4 THE COMMITTEE ALSO DIRECTED STAFF AND A WORKING
5 GROUP LATER CALLED THE RECOVERED PAPER ADVISORY
6 COMMITTEE TO ESTABLISH INTERIM ANNUAL GOALS AND TO
7 DEVELOP A METHOD TO CALCULATE THE ANNUAL
8 UTILIZATION RATES. ON MAY 25, 1994, THE BOARD
9 APPROVED THE CALCULATION METHOD AND THE INTERIM
10 GOALS.

11 BASICALLY THE CALCULATION METHOD IS
12 A SIMPLE QUOTIENT OF RECOVERY OVER GENERATION.
13 THE TWO COMPONENTS OF RECOVERY ARE DOMESTIC MILL
14 CONSUMPTION AND EXPORTS OF POSTCONSUMER PAPER.
15 THE COMPONENTS OF GENERATION ARE RECOVERY PLUS
16 DISPOSAL. THESE ARE THE GOALS ESTABLISHED BY THE
17 BOARD. THE GOAL FOR 1996 IS 40.5 PERCENT.

18 NOW I'LL GO OVER THE FINDINGS THAT I
19 CONCLUDED IN ANALYZING THE RECOVERY DATA. THE
20 1996 PRELIMINARY POSTCONSUMER PAPER UTILIZATION
21 RATE STAFF CALCULATES TO BE 30.7 PERCENT. THIS
22 WAS 3.3 PERCENTAGE POINTS BELOW THE REVISED 1995
23 RATE OF 34 PERCENT AND ALSO 9.8 PERCENTAGE POINTS
24 LESS THAN 1996 GOAL OF 40.5 PERCENT.

25 THE PRIMARY REASONS FOR THE LOWER

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1 1996 RATE WERE A 22-PERCENT DECLINE IN EXPORTS OF
2 POSTCONSUMER RECOVERED PAPER BETWEEN 1995 AND 1996
3 AND A 1.8-PERCENT INCREASE IN POSTCONSUMER PAPER
4 GENERATION BETWEEN THOSE TWO YEARS.

5 CHAIRMAN RELIS: AND WHAT DOES THE 22
6 PERCENT EQUATE INTO A PERCENTAGE? IF WE WERE TO
7 SAY THAT IT HAD HELD THE 22 PERCENT, THERE WASN'T
8 A 22-PERCENT DROP IN EXPORTS, WHAT WOULD THAT HAVE
9 TRANSLATED INTO --

10 MR. FORAN: IF THE 1996 EXPORTS HAD
11 REMAINED AT THE SAME LEVEL AS THE 1995 EXPORTS,
12 THEN THE '96 UTILIZATION RATE WOULD STILL BE
13 SLIGHTLY LOWER THAN THE REVISED 1995 RATE BASED ON
14 THAT INCREASE IN GENERATION.

15 CHAIRMAN RELIS: SO AT MOST WE'D BE
16 LOOKING ABOUT 3 PERCENT. IS THAT WHAT IT --

17 MR. FORAN: AT MOST WE WOULD BE LOOKING
18 AT -- WELL, THE REVISED 1995 RATE WAS 34 PERCENT,
19 SO A 3-PERCENT INCREASE, YOU ARE SAYING.

20 CHAIRMAN RELIS: YES.

21 MR. FORAN: CORRECT.

22 CHAIRMAN RELIS: SO WE'D BE AROUND 33,
23 34.

24 MR. FORAN: HAD EXPORTS HELD AT THE '95
25 LEVEL, BUT THAT'S ONE OF THE ISSUES I WANT TO GET

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1 INTO BECAUSE '95 EXPORTS WERE PHENOMENALLY HIGH AT
2 A RECORD LEVEL. IT'S A TOUGH COMPARISON TO PLUG
3 THAT FIGURE IN.

4 MEMBER PENNINGTON: WHAT YOU ARE SAYING,
5 THAT IF THE EXPORT RATES HAD STAYED THE SAME, BUT
6 THE GENERATION RATE INCREASED, YOU'D HAVE TO --
7 YOU WOULD ASSUME THAT IF THE GENERATION NUMBER
8 INCREASED, SO WOULD THE EXPORT NUMBER?

9 MR. FORAN: NO. ACTUALLY -- WELL, YES,
10 YOU ARE CORRECT BECAUSE, AGAIN, ONE OF THE
11 COMPONENTS OF GENERATION IS RECOVERY. ONE OF THE
12 COMPONENTS OF RECOVERY IS EXPORTS. SO, YES, YOU
13 WOULD HAVE A CORRESPONDING INCREASE IN GENERATION
14 WITH AN INCREASE IN EXPORTS.

15 MEMBER PENNINGTON: OKAY.

16 MR. FORAN: THE 1995 REVISED RATE, USING
17 THE EXISTING CALCULATION METHOD, WAS 34.02
18 PERCENT. THAT RATE WAS LOWER THAN THE PRELIMINARY
19 RATE OF 34.25 PERCENT DUE TO TWO FACTORS. ONE WAS
20 THE '95 -- WAS THAT THE 1995 REVISED U.S. PAPER
21 RECOVERY FIGURE THAT'S CALCULATED BY THE AMERICAN
22 FOREST AND PAPER ASSOCIATION WAS LOWER THAN THE
23 PRELIMINARY FIGURE, AND ALSO THE 1995 REVISED
U.S.

24 NEW SUPPLY FIGURE OF PAPER AND PAPERBOARD WAS
25 HIGHER THAN THE PRELIMINARY FIGURE. SO THESE

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TWO

1 COMBINED TO LEAVE THE 1995 REVISED RATE TO BE
2 SLIGHTLY LOWER THAN WHAT I HAD CALCULATED AS A
3 PRELIMINARY RATE LAST YEAR.

4 THE PROPOSED REVISION TO THE
5 CALCULATION METHOD IS TO USE U.S. NEW SUPPLY OF
6 PAPER AND PAPERBOARD RATHER THAN U.S. PRODUCTION
7 AS ONE OF FOUR FACTORS IN EXTRAPOLATING GENERATION
8 OF POSTCONSUMER PAPER. AND THE REASON I PROPOSE
9 TO USE NEW SUPPLY RATHER THAN PRODUCTION IS, NO.
10 1, IS THAT IT'S MORE ACCURATE BECAUSE IT ACCOUNTS
11 FOR BOTH EXPORTS AND IMPORTS OF PAPER PRODUCTS;
12 WHEREAS, PAPER PRODUCTION DOESN'T. AND -- WELL,
13 THAT IS THE REASON WHY. WHAT THAT DOES, THOUGH,
14 WHEN YOU PLUG IN NEW SUPPLY RATHER THAN
PRODUCTION

15 INTO THE CALCULATION METHOD, IS YOU COME UP WITH
A
16 SLIGHTLY HIGHER UTILIZATION RATE FOR 1996, 31.1
17 PERCENT VERSUS 30.67.

18 THE PRELIMINARY 1996 UTILIZATION
19 RATES FOR OLD NEWSPAPERS AND OLD CORRUGATED
20 CONTAINERS ARE AS FOLLOWS: THE RATE FOR ONP IS
21 48.7 PERCENT, WHICH IS SIGNIFICANTLY LOWER THAN
22 THE REVISED 1995 RATE. THE PRELIMINARY RATE FOR
23 OLD CORRUGATED CONTAINERS WAS 49.72 PERCENT, ALSO
24 SIGNIFICANTLY LOWER THAN THE REVISED 1995 FIGURE.

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25
COULD

CHAIRMAN RELIS: ON THE ONP, IF YOU

1 JUST CHARACTERIZE, I KNOW THERE'S BEEN A DOWNWARD
2 TREND IN NEWSPRINT PRODUCTION, I BELIEVE. PAPERS
3 ARE THINNER. DO YOU HAVE ANY IDEA WHAT THE
4 DYNAMIC OF THAT IS? CAN IT TRANSLATE INTO A
5 NUMBER?

6 MR. FORAN: YES, IT CAN TRANSLATE INTO
7 LESS GENERATION OF ONP. EVERYTHING ELSE BEING
8 EQUAL, IF THERE WAS STILL THE SAME AMOUNT OF
9 CIRCULATION OF NEWSPAPERS, THE SAME SUBSCRIPTIONS
10 OUT THERE, THEN CONSEQUENTLY THERE WOULD BE LESS
11 NEWSPRINT BEING PURCHASED BY THE PUBLISHERS, AND
12 CONSEQUENTLY LESS NEWSPRINT BEING PRODUCED BY THE
13 MANUFACTURERS. SO THAT WOULD LEAD TO LESS
14 GENERATION.

15 CHAIRMAN RELIS: THAT WAS ONE OF THE
16 REASONS, IF YOU RECALL, BRIAN, SOME OF YOU HERE,
17 WHEN WE WERE TRYING TO ATTRACT -- DISCUSS WITH THE
18 MACMILLAN BLOEDEL PEOPLE IN THE NEWSPRINT MILL,
19 THEY DECIDED, FOR VARIOUS REASONS AMONG THEM, TO
20 NOT BUILD A NEW MILL IN THIS STATE OR ANYWHERE
21 BECAUSE OF THE DECLINING -- WHAT THEY SAW AS WEAK
22 DEMAND FOR ONP.

23 MR. FORAN: THIS HAS BEEN A STRATEGY BY
24 THE NEWSPRINT PUBLISHERS TO LOWER THEIR PURCHASES
25 OF NEWSPAPER AT A GIVEN PRICE. THEY JUST DON'T

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1 NEED AS MUCH TO PUT OUT THE SAME NEWSPAPER BY
2 WIDENING THE MARGINS IN THE PRINT AND CUTTING THE
3 ACTUAL SIZE OF THE NEWSPAPER, BUT IT'S VERY
4 INSIGNIFICANT IN TERMS OF THE RECOVERY RATES THAT
5 WE'RE LOOKING AT HERE.

6 THE REASON THAT ONP AND OCC RATES IN
7 '96 DROPPED WAS THE SAME REASON AS THE TOTAL PAPER
8 FIGURE DROPPED, PRIMARILY DUE TO A LARGE DROP IN
9 EXPORTS AND, AGAIN, DUE TO SUBSEQUENT INCREASE IN
10 GENERATION, AT LEAST HERE IN CALIFORNIA.

11 REGARDING THE REVISED 1995 RATES FOR
12 OLD NEWSPAPERS AND OLD CORRUGATED CONTAINERS, YOU
13 CAN SEE THAT THERE'S A SIGNIFICANT DIFFERENCE
14 BETWEEN WHAT I CALCULATED AS THE PRELIMINARY RATES
15 FOR THOSE TWO PAPER GRADES LAST YEAR AND WHAT I'M
16 PROPOSING IS THE REVISED RATES THIS YEAR.

17 TYPICALLY YOU DON'T SEE THAT MUCH DIFFERENCE
18 BETWEEN A REVISED AND A PRELIMINARY RATE. THE
19 REASON THAT THERE IS SUCH A DIFFERENCE IN THIS
20 CASE, AND YOU WILL NOTICE THAT ONE OF THOSE
21 FIGURES FOR CORRUGATED CONTAINERS IS A HIGHER RATE
22 AS OPPOSED TO OLD NEWSPAPERS GOING DOWN, IS
23 BECAUSE THIS CALCULATION USES CORRECT DATA;
24 WHEREAS, LAST YEAR THE -- AND IN PREVIOUS YEARS
25 THE DATA I HAD USED WAS NOT THE CORRECT DATA. IT

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1 WAS STILL FROM THE RIGHT DATA POOL. IT WAS SIMPLY
2 A -- IT WAS A SELECTION -- WHEN YOU'RE LOOKING AT
3 AN EXCEL SPREADSHEET, WHICH IS WHERE I ENTER ALL
4 THE DATA, IF YOU JUST HIT THE WRONG COLUMN, YOU
5 RESULT IN A WRONG FIGURE. SO THAT'S ACTUALLY WHAT
6 HAPPENED.

7 NOBODY SEEMED TO NOTICE, BUT THAT'S
8 EXACTLY WHAT WAS GOING ON WITH ONP AND OCC RATES
9 THE LAST FEW YEARS. IT DIDN'T NECESSARILY MAKE
10 BOTH OF THEM LOWER. IN THE CASE OF ONP -- OR IN
11 THE CASE OF ONP, IT WAS ACTUALLY A HIGHER FIGURE
12 THAN WHAT IT SHOULD HAVE BEEN. SO CONSEQUENTLY,
13 NOW THAT I'M USING THE CORRECT DATA, THE RATE FOR
14 ONP GOES DOWN, THE RATE FOR OCC GOES UP. AND THIS
15 IS ALSO TRUE FOR THE YEARS PRIOR TO 1995.

16 UTILIZATION OF POSTCONSUMER PAPER IN
17 ALTERNATIVE PRODUCTS IS ALSO ONE OF THE ISSUES
18 THAT THE COMMITTEE DIRECTED STAFF TO TRACK. AND
19 USE OF POSTCONSUMER PAPER IN SUCH ALTERNATIVE
20 PRODUCTS AS BUILDING MATERIALS, COMPOST, CELLULOSE
21 INSULATION IS INCLUDED IN THE UTILIZATION RATE.
22 STAFF ESTIMATES THAT THE '96 USE OF POSTCONSUMER
23 PAPER IN ALTERNATIVE PRODUCTS DID INCREASE FROM
24 '95 TO '96 ON THE ORDER OF ABOUT 6,000 TONS.
25 MOST OF THE PAPER USED IN

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1 ALTERNATIVE PRODUCTS IS OLD NEWSPAPERS, AND THE
2 LARGEST PRODUCT BY -- ALTERNATIVE PRODUCT BY FAR
3 IS CELLULOSE INSULATION. STAFF HAS STILL BEEN
4 UNABLE TO VERIFY ANY SIGNIFICANT QUANTITIES OF
5 POSTCONSUMER PAPER BEING USED TO PRODUCE COMPOST
6 IN THE STATE.

7 CHAIRMAN RELIS: I KNOW IN ALL MY TRAVELS
8 I'VE NEVER REALLY SEEN IT OTHER THAN INCIDENTAL.

9 MR. FORAN: NOW I'D LIKE TO GO OVER SOME
10 OF THE KEY ISSUES THAT AFFECTED THE RATES FOR
11 1996. FIRST OF ALL, EXPORTS. AS YOU CAN SEE FROM
12 THIS CHART, 1996 EXPORTS OF POSTCONSUMER PAPER
13 FROM CALIFORNIA WERE SIGNIFICANTLY LOWER THAN
14 THOSE FOR 1995. BUT AS I MENTIONED BEFORE, THE
15 REASON THEY WERE SO MUCH LOWER WAS BECAUSE 1995
16 WAS SUCH A STRONG YEAR FOR EXPORTS. AND IF YOU
17 JUST TRACK IT BACK, AT LEAST BACK TO 1991, YOU CAN
18 SEE HOW MUCH HIGHER 1995 WAS THAN ANY OF THOSE
19 PREVIOUS YEARS. AND, IN FACT, IT WAS A RECORD
20 YEAR FOR EXPORTS, NOT ONLY FROM CALIFORNIA BUT
21 FROM THE ENTIRE UNITED STATES.

22 LOOKING AT '96 VERSUS THE OTHER FIVE
23 YEARS IN THIS GROUP, YOU CAN SEE THAT EXPORTS
24 REALLY WEREN'T ALL THAT LOW IN 1996 FROM A
25 HISTORICAL PERSPECTIVE. NONETHELESS, IN CONTRAST

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1 TO '95, THAT'S WHAT ACCOUNTED FOR THE DECLINE IN
2 UTILIZATION RATE PRIMARILY.

3 MEMBER PENNINGTON: WHAT DO YOU ATTRIBUTE
4 THE DROPOFF TO?

5 MR. FORAN: GOOD QUESTION. THE PRIMARY
6 REASON THAT EXPORTS DECLINED IN '96 WAS THAT THE
7 PACIFIC ASIAN COUNTRIES THAT WE SHIP MOST OF OUR
8 PAPER TO OVERSEAS, THEIR ECONOMIES WERE WAY OFF
9 LAST YEAR. IN FACT, I HAD READ THAT BECAUSE
THESE
10 ECONOMIES WERE SO FAR OFF AND CONSEQUENTLY DEMAND
11 FOR PAPER PRODUCTS, AMONG OTHER THINGS, DECLINED,
12 THAT PAPER PRODUCTION IN THESE COUNTRIES WAS ONLY
13 RUNNING AT ABOUT 65 PERCENT OF THE CAPACITY OF
14 THEIR MILLS. THIS IS THROUGHOUT THE ENTIRE
15 PACIFIC ASIAN REGION, NOT NECESSARILY ONE
COUNTRY.

16 AND SINCE THEY USE OUR POSTCONSUMER
17 PAPER AS A GOOD PERCENTAGE OF THEIR FEEDSTOCK, IF
18 THEY'RE NOT PRODUCING PAPER, THEY DON'T NEED THE
19 FEEDSTOCK AS MUCH. SO JUST ECONOMIC CONDITIONS
IS
20 THE BOTTOM LINE.

21 THE OTHER FACT -- ANOTHER FACTOR
22 THAT LED TO DECLINE IN THE 1996 RATE WAS THE FACT

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23 THAT THE POSTCONSUMER PAPER CONSUMED AT PAPER
24 MILLS IN THE MOUNTAIN PACIFIC REGION, WHICH
25 CALIFORNIA SHIPS ITS PAPER TO AS WELL AS
CONSUMING

1 PAPER AT THE MILLS IN OUR OWN STATE, WHILE THE
2 PAPER CONSUMED AT THESE MILLS THAT ORIGINATED
FROM

3 CALIFORNIA DID GO UP BETWEEN '95 AND '96, OUR
4 PERCENTAGE SHARE OF WHAT'S BEING CONSUMED AT
THESE

5 MILLS WENT DOWN, WHICH MEANS THAT THERE IS MORE
6 PAPER BEING CONSUMED AT THESE MILLS, FOR EXAMPLE,
7 IN WASHINGTON AND OREGON, ARIZONA, AND COLORADO.
8 THEY ARE CONSUMING MORE PAPER FROM STATES THAT
ARE

9 CLOSER TO THOSE MILLS THAN THEY ARE TO US THAN
10 THEY HAVE HISTORICALLY.

11 AND THE REASON FOR THAT IS BECAUSE
12 THESE STATES ARE ON AN UPSWING AS FAR AS
13 INCREASING THEIR PAPER RECOVERY THROUGH INCREASED
14 CURBSIDE RECYCLING PROGRAMS, COMMERCIAL
COLLECTION

15 PROGRAMS, WHATEVER. WE WERE AHEAD OF THE CURVE
IN

16 THE EARLY '90S. THESE STATES ARE CATCHING UP
WITH

17 US. SO IF THEY'RE CLOSER TO THE MILLS, THE PAPER
18 IS GOING TO GO THERE. WE'LL STILL HAVE FIRST
SHOT

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19 AT CALIFORNIA MILLS AND WE'LL STILL HAVE FIRST
20 SHOT AT EXPORTS IN TERMS OF COST OF DELIVERING
THE

21 PAPER THERE. BUT NONETHELESS, THIS IS A FACTOR
22 HERE.

23 AND LIKELY I WOULD PROJECT THAT THE
24 TREND OF OUR, QUOTE, MARKET SHARE OF CONSUMPTION
25 AT THESE MILLS WILL CONTINUE TO GO DOWN AS

1 RECOVERY PROGRAMS IN THESE STATES CONTINUES TO
2 RISE, WHICH WILL SIMPLY MAKE US MORE DEPENDENT ON
3 THE OVERSEAS MARKETS.

4 MEMBER PENNINGTON: WHICH IS GOOD FOR
THE
5 NATION, BUT BAD FOR US.

6 MR. FORAN: ONE OTHER POINT ON THE
7 MOUNTAIN AND PACIFIC MILLS IS THAT, OR AT LEAST
ON
8 THE WHOLE REGION, IS THAT WE HAVE NOT HAD ANY NEW
9 RECYCLED PAPER MILLS BUILT IN CALIFORNIA IN OVER
10 TEN YEARS. THERE HAVE BEEN SOME CAPACITY
11 ADDITIONS AT EXISTING MILLS; BUT IF A MILL IS
12 GOING TO BE BUILT UP IN WASHINGTON, THAT PAPER IS
13 GOING TO BE MOSTLY DRAWN FROM THAT AREA.

14 THE THIRD FACTOR THAT LED TO A
15 DECREASE IN THE 1996 RATE WAS INCREASED
16 POSTCONSUMER PAPER GENERATION. YOU CAN SEE FROM
17 THESE LAST TWO BARS ON THE CHART THAT GENERATION
18 DID INCREASE IN 1995 -- I MEAN IN 1996 FROM 1995.
19 SINCE WE BEGAN TRACKING GENERATION BACK IN 1990,
20 GENERATION HASN'T REALLY INCREASED ALL THAT MUCH.
21 IT'S ABOUT 3 OR 4 PERCENT ON A PERCENTAGE BASIS.

22 NONETHELESS, BECAUSE YOU ARE
TALKING

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23 ABOUT SUCH SIGNIFICANT TONNAGES, WHEN GENERATION
24 DOES INCREASE, THEN IT TAKES AT LEAST AS MUCH
25 RECOVERY TO CATCH UP WITH THAT TO KEEP THE

1 UTILIZATION RATE AT THE SAME LEVEL. IF IT
2 DOESN'T, THEN THE RATE IS GOING TO DROP.

3 CHAIRMAN RELIS: SO THE PAPERLESS OFFICE
4 IS STILL YET TO MATERIALIZE.

5 MEMBER PENNINGTON: WELL, CERTAINLY IN
6 GOVERNMENT, ANYWAY.

7 CHAIRMAN RELIS: WE HAVE TO DO OUR OWN
8 AUDIT TO SEE WHAT OUR GENERATION RATE IS.

9 MEMBER PENNINGTON: HOWEVER, I BET OUR
10 E-MAILS HAVE HELPED US.

11 MR. FORAN: AND I WILL REPEAT THE POINT
12 THAT MR. RELIS HAD BROUGHT UP, THAT EVEN IF 1996
13 EXPORTS HAD REMAINED AT THE SAME LEVEL AS THEY
14 WERE IN 1995, WHICH WAS A RECORD HIGH, THE '96
15 UTILIZATION RATE WOULD STILL HAVE BEEN LOWER THAN
16 THE REVISED '95 RATE DUE TO INCREASED GENERATION.
17 OKAY.

18 PROJECTIONS FOR THE YEAR 1997. MOST
19 OF THE WELL-KNOWN, RESPECTED PAPER RECYCLING
20 ANALYSTS HAVE PROJECTED 1997 TO BE A BETTER YEAR
21 THAN 1996. A SURVEY OF THESE ANALYSTS REVEALED ON
22 AVERAGE THAT EXPORTS WOULD -- FOR THE ENTIRE
23 UNITED STATES WERE PROJECTED TO INCREASE 15.1
24 PERCENT AND DOMESTIC MILL CONSUMPTION WAS
25 PROJECTED TO INCREASE 3.2 PERCENT. IF THOSE

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1 FIGURES WERE PLUGGED INTO CALIFORNIA'S EXPORTS
AND
2 MOUNTAIN AND PACIFIC REGION PAPER MILL
CONSUMPTION
3 ORIGINATING FROM CALIFORNIA, WE COULD ANTICIPATE
4 AN INCREASE IN OUR PAPER UTILIZATION RATE FROM
THE
5 30.1 PERCENT THAT IT WAS IN '96 TO 33.46
PERCENT.
6 HOWEVER, THAT WOULD STILL LEAVE THE RATE NEARLY
7 9.5 PERCENTAGE POINTS LOWER THAN THE GOAL OF
42.9
8 PERCENT FOR 1997.
9 AND EXPORTS HAVE INCREASED THE
LAST
10 COUPLE MONTHS, BUT THEY'RE VERY VOLATILE, AND
WHO
11 KNOWS IF THAT'S GOING TO STAY THE SAME
THROUGHOUT
12 THE REST OF THE YEAR OR IF IT'S JUST GOING TO --
13 THE BOTTOM IS GOING TO DROP OUT AGAIN. THIS IS
14 THE WAY THE EXPORT MARKET WORKS. AND WHAT'S
15 SIGNIFICANT ABOUT THAT FOR CALIFORNIA IS THAT WE
16 RELY ON THOSE EXPORT MARKETS, AT LEAST IN '96 WE
17 DID, FOR 37 PERCENT OF THE PAPER THAT WE
CONSUME;

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18 WHEREAS, ON A NATIONAL LEVEL, THE U.S. ONLY
RELIES

19 ON OVERSEAS EXPORTS FOR ABOUT 17 PERCENT OF THE
20 PAPER THEY CONSUME. SO WE'RE -- WHEN TIMES ARE
21 GOOD, WE'RE AHEAD OF THE CURVE. WHEN THEY'RE
BAD,

22 WE'RE REALLY HURTING DUE TO OUR RELIANCE ON THE
23 OVERSEAS MARKETS.

24 OKAY. IN SPITE OF THE POSITIVE
25 PROJECTIONS FOR 1997, THERE ARE SOME FACTORS
THAT

1 COULD KEEP THOSE IMPROVEMENTS FROM TAKING PLACE.
2 AND THESE ARE THE FOUR MAJOR ONES THAT I
3 IDENTIFIED. ONE IS REDUCED PAPER RECOVERY
4 PROGRAMS. WE SAW IN 1996 A FALLING OFF OF
5 COMMERCIAL RECOVERY PROGRAMS DUE TO THE LOWER
6 PRICES FOR RECOVERED PAPER. COMMERCIAL PROGRAMS
7 BEING MARKET BASED ARE VERY ELASTIC TO PRICES. IF
8 IT DOESN'T MAKE A PROFIT FOR THESE COMPANIES TO GO
9 INTO OFFICES OR OTHER TYPES OF BUSINESSES TO
10 RECOVER PAPER DUE TO THE LOW PREVAILING MARKET
11 PRICE, THEY WON'T COLLECT FROM THAT OFFICE AND
12 RECOVERY WILL DROP.

13 RESIDENTIAL PROGRAMS TEND TO BE A
14 LOT MORE STEADY BECAUSE IT'S VERY DIFFICULT STOP A
15 CURBSIDE PROGRAM BECAUSE PRICES ARE DOWN, AND WE
16 CERTAINLY WOULD HOPE THAT THEY WOULDN'T. HOWEVER,
17 I HAD READ ABOUT CERTAINLY IN THE REST OF THE
18 UNITED STATES WE DID SEE SOME MAJOR CURBSIDE
19 RECYCLING PROGRAMS SHUTTING DOWN DUE TO MARKET
20 PRICE COLLAPSE. ONE IN PHILADELPHIA, MIAMI IS
21 CONSIDERING DROPPING CURBSIDE ALTOGETHER, SOME
22 PROGRAMS IN CALIFORNIA HAVE CONSIDERED DROPPING
23 MIXED PAPER BECAUSE IT WAS AT A NEGATIVE VALUE IN
24 '96.

25 IF MARKETS DON'T IMPROVE, WE COULD

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1 SEE A CONTINUATION OF THIS REDUCED RECOVERY. IF
2 GENERATION OF PAPER CONTINUES TO INCREASE IN
3 CALIFORNIA, AS IT HAS DUE TO THE STRENGTH OF OUR
4 ECONOMY -- GENERATION TYPICALLY GOES HAND IN HAND
5 WITH A STRONG ECONOMY -- IT WILL INCREASE IN THE
6 UTILIZATION RATE AND MAKE IT THAT MUCH MORE
7 CHALLENGING.

8 OVERALL IN THE UNITED STATES,
9 ALTHOUGH CALIFORNIA'S ECONOMY WAS STRONG IN '96,
10 IT WAS ACTUALLY A VERY POOR YEAR FOR THE PAPER
11 INDUSTRY. THERE WAS VERY WEAK DEMAND,
12 PARTICULARLY FOR PACKAGING MATERIALS, AND
13 CONSEQUENTLY, AS JUST WITH WEAK DEMAND IN OVERSEAS
14 COUNTRIES, THERE WAS LESS DEMAND FOR RECOVERED
15 PAPER.

16 AND THEN FINALLY, THE REAL KEY TO
17 CALIFORNIA IS WHETHER OR NOT THE ECONOMIES IN
18 THESE PACIFIC ASIAN COUNTRIES REBOUND OR NOT. IF
19 THEY DON'T, IT'S GOING TO BE VERY DIFFICULT TO
20 BOOST OUR UTILIZATION RATE.

21 IN CONCLUSION, IN ORDER TO ACHIEVE
22 50 PERCENT OVERALL DIVERSION, CALIFORNIA'S
23 POSTCONSUMER PAPER UTILIZATION RATE MUST INCREASE
24 BEYOND ITS CURRENT RATE OF 31 PERCENT.
25 CALIFORNIA'S UTILIZATION RATE IS CURRENTLY WELL

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1 BELOW THE GOALS ESTABLISHED BY THE BOARD TO SERVE
2 AS INCENTIVES FOR ACHIEVING 50 PERCENT OVERALL
3 DIVERSION. THIS CHART HERE, THE TOP LINE SHOWS
4 WHAT THE GOALS ARE, REACHING 50 PERCENT BY THE
5 YEAR 2000. THE LOWER LINE IS WHAT THE RATES THAT
6 WE'VE TRACKED OVER THE LAST SEVEN YEARS HAVE BEEN.
7 AND I'LL TAKE ANY QUESTIONS YOU HAVE.

8 CHAIRMAN RELIS: THANK YOU FOR THE
9 PRESENTATION. A FEW COMMENTS I'VE BEEN THINKING
10 ABOUT IN BRIEFINGS THE SITUATION AS IT SEEMS TO
11 HAVE SHAPED UP. OBVIOUSLY PAPER RANKS WITH
12 ORGANICS, AND ONLY TO A LESSER DEGREE C&D, AS ONE
13 OF THE THREE CRITICAL MATERIALS THAT WE MUST
14 RECOVER AT HIGH RATES TO ACHIEVE OUR GOAL.

15 LAST YEAR I THINK WE HAD ALMOST A
16 CELEBRATION HERE ON THE SITUATION WITH PAPER
17 BECAUSE WE WERE TRACKING PRETTY CLOSE TO OUR -- WE
18 WERE OFF, BUT WE WERE STILL TRACKING CLOSE TO THE
19 UTILIZATION GOAL. THIS YEAR IT WAS A SURPRISE TO
20 ME, ALTHOUGH AFTER TWO YEARS OF DEPRESSED PAPER
21 PRICES, ONE DOES, IF ONE'S EVER BEEN INVOLVED IN
22 THE RECYCLING ARENA IN DETAIL, YOU SEE THE SUPPLY/
23 DEMAND SITUATION AFFECT THE MARKETPLACE. AND TWO
24 YEARS OF VERY DEEP PRICE LOSSES IN THAT FIELD
25 PROBABLY CAUSED A LOT OF PEOPLE TO PULL OUT.

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1 BUT THE FACT REMAINS AND WHATEVER
2 THE RATE DISPARITY IS, EVEN IF IT WAS ADJUSTED
3 SLIGHTLY, IT'S STILL A LARGE GAP, AND IT SHOULD BE
4 OF CONCERN TO US.

5 MY THOUGHTS ON THIS AT THIS POINT
6 ARE THAT WE HAVE TWO ISSUES. ONE'S THE RATE;
7 THAT'S THE MECHANICS OF IT. BUT THEN THERE'S THE
8 MORE PERPLEXING QUESTION OF, WELL, IF IT'S SO,
9 WHAT DO YOU DO ABOUT IT? WHAT ARE OUR OPTIONS FOR
10 EFFECTING A CHANGE IN UTILIZATION. WELL, THE WAY
11 I READ YOUR REPORT, BRIAN, IS THAT PAPER
12 UTILIZATION ITSELF HAS INCREASED, NOT
13 DRAMATICALLY, BUT IT IS NOT -- THE UTILIZATION
14 COMPONENT HAS NOT SHOWN A DOWNWARD DIRECTION.

15 MR. FORAN: YOU MEAN DOMESTIC
16 UTILIZATION.

17 CHAIRMAN RELIS: DOMESTIC UTILIZATION.
18 YEAH. WE HAVE OUR SPECIAL UTILIZATION ISSUE HERE
19 IN CALIFORNIA. I THINK THAT WOULD BE VERY
20 DISCONCERTING IF WE WOULD BEGIN TO SEE A DROP IN
21 UTILIZATION ACROSS THE COUNTRY. WE'VE GOT OUR OWN
22 SITUATION.

23 I THINK CALIFORNIA HAS A COUPLE OF
24 VERY COMPLEX FACTORS. ONE, WE RELY HEAVILY AND
25 HISTORICALLY ON THE EXPORT MARKET. THAT IS JUST

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1 THE WAY BEING A PACIFIC RIM STATE AND ALSO THE
2 FACT THAT WE HAVE FEW MILLS. THAT SITUATION
3 REMAINS VIRTUALLY UNCHANGED SINCE THE WHOLE TIME
4 I'VE BEEN ON THIS BOARD. WE HAVE NOT SEEN,
5 DESPITE OUR EFFORTS, ANY MOVE BY THE PAPER
6 INDUSTRY TO BUILD HERE. AND THAT'S FOR -- IN A
7 LARGE SENSE, TO BUILD NEW FACILITIES HERE. WELL,
8 YOU'RE GRIMACING A LITTLE, BUT I HAVEN'T SEEN IT.

9 MR. FORAN: THERE HAVE BEEN SOME EFFORTS
10 MADE.

11 CHAIRMAN RELIS: EFFORTS, BUT I'M TALKING
12 ABOUT ACTUAL PLANTS. AND THOSE ARE FOR ECONOMIC
13 REASONS. WE ONLY HAVE A VERY LIMITED ABILITY TO
14 AFFECT WHETHER A PAPER MILL COMES OR DOES NOT COME
15 INTO THIS AREA. SOMETIMES I WISH WE HAD THE
16 SITUATION OF STATE OF WASHINGTON WHERE THEY DID
17 ALL THEIR MILL EXPANSIONS, AND THEN THE PAPER
18 SUPPLY IS CLOSE TO HOME, AND THEY'RE GOING TO HAVE
19 A MORE FAVORABLE MARKET THAN WE DO.

20 THEN THERE'S THE QUESTION OF, BRIAN,
21 YOU'VE RAISED THE CONCERN ABOUT, WELL, RECOVERY
22 MIGHT BE DOWN AND WHAT WOULD BE THE EXPLANATIONS
23 FOR THAT? WOULD THAT BE MORE PASS-THROUGH OF
24 MATERIAL AT MRF'S? WOULD IT BE BECAUSE THE PAPER
25 ISN'T AS VALUABLE? YOU JUST LET MORE THROUGH THE

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1 SYSTEM. OR CURBSIDE RECOVERY, IS THAT AS ROBUST
2 AS IT SHOULD BE? ARE PARTICIPATION RATES PERHAPS
3 LACKING IN THAT SCORE? WHAT'S OUR ABILITY TO
4 AFFECT THAT?

5 WASTE GENERATION, A CRITICAL FACTOR;
6 OUR SOURCE REDUCTION EFFORTS, I THINK, ARE
7 POINTED. I THINK, IF ANYTHING, THIS UNDERSCORES
8 THE IMPORTANCE OF MAINTAINING OR INCREASING OUR
9 EFFORTS AT -- DIRECTED AT WASTE REDUCTION AND
10 PAPER BEING A PRIORITY.

11 SO I GUESS WHAT I'M SAYING IN ALL
12 THIS IS THAT IT APPEARED LAST YEAR THAT THIS WAS
13 NOT -- THAT THE PAPER AREA WAS NOT A SUBJECT OF
14 GREAT CONCERN. IT WAS OF CONCERN, BUT WE HAD
15 DECIDED THAT WE WOULD FOCUS HEAVILY ON ORGANICS,
16 HEAVILY ON C&D. AND WHAT THIS TELLS ME IS THAT
17 WE'VE GOT A SUBSTANTIAL AMOUNT OF WORK TO DO IN
18 UNDERSTANDING CLEARLY THE DYNAMICS AS FAR AS WE
19 CAN TAKE IT AND THEN FIGURING OUT WHAT COURSE OF
20 ACTION, IF ANY, TO TAKE.

 SO WITH THAT, I'M PREPARED TO MAKE A
MOTION. FIRST, ON THE RATE, I THINK WE SHOULD
ADOPT THE RATE AS DEVELOPED BY STAFF ON PAGE 50 OF
THIS ITEM AND DIRECT STAFF TO WORK WITH EXPERT
PARTIES, EVALUATE OPTIONS TO IMPROVE THE

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METHODOLOGY, IF THERE IS ANY, AND REVIEW THE PROCESS, AND RETURN TO THE COMMITTEE WITH RECOMMENDATIONS AS SOON AS POSSIBLE, BUT THAT WE ADOPT THE RATE WITH THAT TODAY. AND --

MEMBER PENNINGTON: I'LL SECOND THAT.

CHAIRMAN RELIS: WE HAVE A SECOND. I'LL ASK FOR A ROLL CALL VOTE ON THAT.

THE SECRETARY: MEMBER PENNINGTON.

MEMBER PENNINGTON: AYE.

THE SECRETARY: CHAIRMAN RELIS.

CHAIRMAN RELIS: AYE.

SECONDLY, THIS IS MORE A DIRECTIVE OF WHAT TO DO IN LIGHT OF THIS. IN LIGHT OF THE RATE CALCULATION SHOWING A DOWNWARD TREND, DIRECT STAFF TO CONVENE INTERESTED EXPERT PARTIES TO EXAMINE THE PAPER GENERATION RECOVERY SYSTEM AND RECOMMEND MAJOR FUTURE ACTIONS WITHIN THE FRAMEWORK OF THE STRATEGIC PLAN AND 50-PERCENT INITIATIVE TO ADDRESS PROBLEMS IN THE SYSTEM, WITH STAFF TO REPORT BACK TO THE COMMITTEE WITHIN TWO TO THREE MONTHS BECAUSE I THINK YOU ARE GOING TO NEED SOME TIME TO WORK ON THAT, NOT TOO MUCH TIME, BUT I KNOW YOU HAVE MANY COMMITMENTS, AND WE WANT THIS DONE WELL.

MS. TRGOVCICH: THIS DIRECTION WOULD BE

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AT THE STAFF LEVEL, SO WE WOULD ENTERTAIN AND BE WORKING WITH THOSE INTERESTED EXPERTS.

CHAIRMAN RELIS: YES, AND WE MIGHT, OF COURSE, OUR ADVISORS AND BOARD MEMBERS AS WE WISH WOULD COME IN AND OUT OF THAT, BUT A STAFF-MANAGED EFFORT.

MEMBER PENNINGTON: I WOULD JUST ASK THAT WE KNOW WHO THE EXPERTS ARE.

MS. TRGOVCICH: WHAT WE CAN DO IS PROVIDE EACH ONE OF THE COMMITTEE MEMBERS' OFFICES WITH AN IDENTIFICATION OF NEXT STEPS UNDER THIS DIRECTION, WHICH WOULD INCLUDE TIMING, IT WOULD INCLUDE THE WHO, AND IT WOULD INCLUDE THE WHAT, WHAT WE'RE GOING TO BE PROPOSING TO DO WITH THEM.

CHAIRMAN RELIS: THAT DOESN'T NEED A MOTION, AS I UNDERSTAND. THAT'S JUST A DIRECTIVE FROM THIS COMMITTEE.

MS. TRGOVCICH: UNDER THE MOTION THAT YOU JUST MADE ON THE RATE, THOUGH, WOULD YOU BE PLACING THAT ON THE CONSENT CALENDAR OR WISH THAT TO BE HEARD AT THE BOARD MEETING?

CHAIRMAN RELIS: DO YOU HAVE A PROBLEM WITH IT BEING ON CONSENT?

MEMBER PENNINGTON: NO.

CHAIRMAN RELIS: OKAY. CONSENT. OKAY.

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1 THAT CONCLUDES OUR BUSINESS FOR TODAY, AND WE'LL
NOW ADJOURN.

NOW ADJOURN.

4 (END OF PROCEEDINGS AT 11:50 A.M.)

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